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# ***JPRS Report***

## **East Europe**

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**MDF Vice President on Press, Opposition**

92C H0206B Budapest KRITIKA in Hungarian  
Nov 91 pp 27-28

[Interview with Imre Furmann, vice president of the Hungarian Democratic Forum, by Lajos Pogonyi, place and date not given: "For the Past 18 Months the Hungarian Democratic Forum Has been Living in a Fortress Under Siege"]

[Text] [Pogonyi] As Jozsef Debreczeni, a deputy of the MDF [Hungarian Democratic Forum], wrote among other things in an earlier issue of MAGYAR HIRLAP by now it is already evident that the agreement the two largest parties concluded after the election to put in place the constitutional conditions that would make the country governable could trigger a serious constitutional crisis in the long term. Because, in Debreczeni's words, the opposition-party politician who turned president of the republic is a "foreign body" in the organism of Hungarian state power. Or to use another medical metaphor, a dislocation or sprain within Hungary's constitutional arrangement. As vice president of the MDF do you too regard Arpad Goncz as such a dislocation in Hungary's present-day political life?

[Furmann] This problem ought to be split up. Under the present political conditions, the Presidency as an institution is a foreign body already because of Hungary's historical traditions, if for no other reason. In my opinion, this is what Jozsef Debreczeni meant when he made the above statement regarding Arpad Goncz. That statement, of course, must be clarified.

[Pogonyi] All right. But then how is Arpad Goncz a "sprain" or "dislocation"?

[Furmann] Perhaps it would have been more apt for the author to use some other expression. But, as I have pointed out, what he meant to say with his entire statement was that the Presidency as a constitutional institution had not been in place in Hungary for some time. The question as to whether Hungary should have a president at all had been raised at or before the start of the change of regimes. Eventually the agreement was reached that is now incorporated in the present law.

[Pogonyi] Would it not be better for the MDF or the government if Arpad Goncz were a rubber-stamping, document-signing grandfather like the late Istvan Dobi?

[Furmann] I wish to emphasize once again. What is at issue here is not Arpad Goncz's person, but the political and legal situation that stems, among other things, also from our patchwork constitution.

[Pogonyi] With slight exaggeration, practically an entire volley was fired at Arpad Goncz recently. By the defense and justice ministers, and the chairman of the National Assembly's Cultural Committee. They even turned to the Constitutional Court. What lies behind this? Perhaps

the government and the MDF are striving to concentrate their power, and regard the president of the republic as an obstacle to their efforts?

[Furmann] The government and the MDF undertook at the time to ensure the country's continuing ability to function, while creating a new Hungary. That involves the dismantling, rather than the razing, of mechanisms inherited from the past. By dismantling I mean that neither the government nor the MDF is centralizing; quite the contrary. They are not concentrating state assets by taking property away from private owners. Instead, seeking the right proportions so as to preserve their ability to function, they are striving to promote the development of a stratum of proprietors that is essential to a market economy. In the cultural sphere, however, the situation is entirely different. Although by now we already have privately owned book publishers, there is an ever greater demand on the part of education and culture for the state not to abandon the areas in which it has an obligation to stand its ground and help. For instance, I do not foresee entrepreneurs in Hungary publishing the works of Janos Arany or Sandor Petofi.

[Pogonyi] Let us go on to the next question. Earlier, at a meeting of the MDF's parliamentary caucus held in the Gellert Hotel, an essay prepared by Imre Konya, the leader of the caucus, was circulated among the participants. In it he discussed openness and the Justitia Plan, among other things, and identified the lack of civic courage on the part of the press as one of the main reasons behind its antigovernment bias. Do you think that there is a homogeneous press in Hungary whose sole concern is to bring down the government at all cost?

[Furmann] Fortunately the era when the country regarded a politician's statement as a virtual law, order or decree is over and a new era has begun. Therefore, in my opinion, Imre Konya's essay is nothing other than an internal circular or discussion paper. Even those who are attacking Konya clearly understand that far-reaching conclusions cannot be drawn from his individual statements, because such a discussion paper has its own path to travel. It is considered by the MDF, the party's presidium and national executive, it might be presented also to the government or a party faction, and it might serve as the basis for drafting a legislative bill. In other words, the discussion paper passes through democratic filters. In the end it is the legislative bill that has to be compared with the discussion paper. Therefore—contrary to the practice that regrettably is typical of Hungarian politics—we cannot hold that whatever another person is saying is bad just because it is he who is saying it. And conversely that something is good just because it is coming from me. I have never been able to accept that kind of style in political debate. We do have to listen very closely to one another. And we demean also ourselves if, for instance, we attack things that obviously are entirely different from the way they are presented.

[Pogonyi] Returning to the question of the press that allegedly lacks civil courage.

[Furmann] A homogeneous press does not exist. I do not believe at all that a press is operating in Hungary which as a whole, is concerned only with bringing down the government or thwarting it wherever possible. The past 40 years have dumped such a mass of problems on the shoulders of the MDF-led government that it justifiably expected at least more patience if not praise even when making mistakes. At the same time we must realize that also the people are losing their patience, because they expected changes at a much faster pace. They fostered the illusion that the whole country had started to move and the processes would accelerate. More than once the government was criticized also justifiably. In addition to such criticism, however, there was also abuse and libel. Thus a situation developed in which the government and the press were unable to tolerate each other. Lately during the past six to nine months or so a healthier relationship has begun to emerge. It is not possible to say that whoever holds a different opinion is antigovernment to begin with. We must listen very closely to the opinions of others. But there is one thing I am absolutely unable to accept: the manipulation, the fact that the press is not assessing the political and economic processes in their entirety. I cannot accept abuse in place of criticism, but criticism must not be regarded as abuse.

[Pogonyi] In Konya's essay we find, among other things, the following sentence: "I am convinced that a radical change can be carried out in radio's and television's political bias and mentality... Is a radical change really necessary in this area?"

[Furmann] I think we ought to ask Imre Konya what exactly he meant by this.

[Pogonyi] Perhaps he meant that radio and television should be supportive of the government?

[Furmann] In my opinion he meant that both should function as public media. Imre Konya ought to clarify this issue, because I think it is very important that we express ourselves precisely. And here I have not just Imre Konya in mind. After all statements containing generalizations can lead to serious misunderstandings. We must not exaggerate, because thereby we offend or humiliate masses of people. Moreover, we also intimidate them. But let us revert to the media, although I too have enormous problems with radio and television. Like many other Hungarian citizens, I too would like to hear and see better programs. The two institutions ought to be operating within better structures, but they have their own responsible managers to achieve that. Politics cannot dictate in these questions. No politician of whatever party is able to change the public character of radio and television. I do not know what is meant by professional dictatorship of the Hungarian press mentioned in the Konya essay. For that very reason, this question ought to be debated thoroughly. The wording of all such questions needs to be more precise.

[Pogonyi] In conjunction with the Justitia Plan one finds in the Konya essay something to the effect that

the years a retired person spent as a full-time activist (in the party, KISZ [Communist Youth Federation], trade union, Patriotic People's Front or Workers Guard) should not be taken into account when computing the amount of his pension. Is this not a sort of witch hunt? If this proposal were to be realized, the pensions of persons such as Imre Pozsgay or Gyula Horn would have to be reduced, because earlier they too had worked as full-time politicians.

[Furmann] I attended several county meetings of the party recently, where it was expressed regularly that the people are bitter, sad, and worried about making ends meet. The issue of historical justice formulated by Imre Konya, is often being brought up at various party meetings and before other forums. But these questions are so complicated that they cannot be settled so easily. There are however democratic filters that include the opposition, the press, the other parties, the government, Parliament and its committees, and—last but not least—the Constitutional Court and the institution of the presidency. One must be aware of society's simmering real anger that has not been generated from above. Within society there is a demand for settling past accounts, for rendering so-called historical justice. But that cannot be accomplished by committing new injustices.

[Pogonyi] According to a statement made by SZDSZ [Alliance of Free Democrats] President Janos Kis, the Konya paper proves that Csurka is not the last surviving buffalo doomed to extinction. At its meeting on 18 September the MDF presidium emphasized that the document contains numerous useful comments regarding the party's political strategy, but some principal points in the document formulate individual views that should serve as the basis of clarification in open debate within the party. And MDF Vice President Gabriella Farkas said of the essay that some of its ideas are considerably stronger than the party's official standpoint. For that very reason the MDF presidium has distanced itself from some parts of the essay and is regarding it as the party's internal discussion paper. But she added that the presidium officially accepts most of the ideas in the essay. Otherwise according to Gabriella Farkas, there is no Justitia Plan. Now then, does a Justitia Plan exist or not?

[Furmann] There is a demand to settle past accounts. No leadership of any party is able to sidestep these problems. I have not read Gabriella Farkas's statement and therefore am unable to comment on it. However, it is true that the principal points of any discussion paper are always stronger than the party's standpoint. A large part of the principal points in the Justitia Plan proposed and elaborated by our parliamentary caucus has already been carried out. There is no question of there being a new Justitia Plan. I wish to emphasize once again that the people are demanding the settling of past accounts.

[Pogonyi] The platform formulated by a faction comprising 26 deputies within the MDF's parliamentary caucus is urging a return to the party's Lakitelek spirit.

Meanwhile, Zoltan Krasznai has been expelled from the party because some of his propositions allegedly "exceed the tolerance limit of the party's tolerant system of ideas." In my opinion, all these things—and Krasznai's expulsion in particular—seem to indicate that the MDF is living in a fortress under siege, while its approval rating is about 14 percent.

[Furmann] The national presidium of the MDF considered the Krasznai case merely to dispel the misconception that he had been appointed deputy editor in chief of MAGYAR NEMZET so as to act as the party's commissar there. Furthermore, Zoltan Krasznai has been struck off the rolls, rather than expelled. That is to say, expulsion is always a disciplinary matter. Krasznai has been struck off the rolls in the XVth District [of Budapest], because for months he had been in arrears of his membership dues.

[Pogonyi] Weren't Krasznai's liberal views the main objection against him?

[Furmann] In Hungary there are very many liberal or self-professed liberal politicians. Nobody would be struck off the MDF's rolls for that reason.

[Pogonyi] To what do you attribute the MDF's approval rating of about 14 to 18 percent, at least according to the latest opinion polls?

[Furmann] For the past 18 months the MDF has been living in a fortress under siege, and that is quite natural. When we accepted our role, we realized that our path would not be a triumphant march, flowers would not be strewn on our heads, and we would not be applauded continually whenever and wherever we appeared. That realization is the most natural thing in the world. Just as it is natural that the MDF's popularity is declining, which I attribute to our having had to implement numerous unpopular measures. But after a long time—at least in my opinion—the MDF's popularity is indeed rising. Because the people see what huge efforts we are making, while pursuing moderate policies. I do not wish to overestimate Mihaly Kupa's victory as an independent candidate in the Szerencs election district, but the fact remains that something unprecedented happened there with the MDF's support: the turnout in the second round was 10 percentage points higher than in the first one.

[Pogonyi] Was that victory not due primarily to the finance minister's popularity?

[Furmann] Maybe I am biased, having been born in Borsod County. But during my visit there I felt that the people accept the MDF. Or more accurately, that they accept what is embodied in local politics.

[Pogonyi] How would you characterize local politics in Borsod County?

[Furmann] As moderate, balancing and responsibly thinking politics. Thanks to which the Borsod County meeting of the MDF was the only county meeting in Hungary to vote for distancing itself from all extremes.

The people are more active politically, which I interpret as an expression of trust in the party's policies.

[Pogonyi] In Nyiregyhaza in September there was also talk about the objectives of the MDF's Populist-Nationalist Circle and the "economic mafia." Here it was said, among other things, that the group formed by the members of the old nomenklatura had gained economic power, had strengthened its economic positions and was now striving for political power. That mafia had to be crushed. It, rather than the government or the change of regimes, was raising prices and causing unemployment. All this is eerily in harmony with the ideas of Istvan Csurka, according to whom an investigation should be launched to identify the persons who sabotaged the change of regimes during the past 18 months.

[Furmann] Indeed, it is not the government that is raising prices. After all, a large proportion of the prices are moving entirely freely by now.

[Pogonyi] It is not the former Communist mafia either.

[Furmann] Of course not. That is again nonsense. Naturally, common-interest associations and various trusts do exist as remnants of the old regime. But I think it is very important not to mix economic issues with political matters. In my opinion, Istvan Csurka is articulating very real passions in his ideas and writings. Obviously, various economic crimes have been committed that the change of regimes is unable to tolerate. I know that mafias do exist, but that issue must not be mixed with politics.

[Pogonyi] The MDF appears to be mindful primarily of the interests of a propertied middle class, rather than of the millions of employees. Representation of the latter's interests will eventually devolve onto the opposition parties. Is that not alarming from the viewpoint of the MDF?

[Furmann] More alarming is the absence of a middle class encompassing millions of entrepreneurs. But they obviously will emerge from among the millions of workers. Furthermore, the MDF is a center party. Therefore it is out of question that it should be representing only one kind of interest. On the other hand, it is simply not true that there will be 10 million entrepreneurs in Hungary. For a long time to come there still will be a wide stratum of workers and employees in Hungary. They account for an overwhelming majority of the MDF's members. Obviously, the independent trade unions will have to represent their interests. The parties must undertake the development of real representation of interests, without expropriating any trade union. A fair contest will be necessary, so that no one will have the right to question another interest-representing organization's legitimacy after the trade union elections. Employees must also be given various opportunities to become proprietors through employee stock-ownership plans, for instance.

**New SZDSZ Leadership's Conciliatory Image**

92CH0240F Budapest NEPSZABADSAG in Hungarian  
7 Dec 91 p 4

[Article by A.Zs. "Media Law: The New Alliance of Free Democrats Leadership Endeavors To Pursue Dialogue With Everyone"]

[Text] The Alliance of Free Democrats [SZDSZ] is initiating a series of negotiations with every significant personality in public life, i.e., with representatives of the parties, the churches, and trade unions. It was in this framework that they met with a Federation of Young Democrats [FIDESZ] delegation and were expected to sit down with the leaders of the Smallholders Party's historical wing, according to SZDSZ Chairman Peter Tolgyessy at a Friday press conference, which also provided an opportunity for introducing the new managing body.

Tolgyessy stressed that the SZDSZ intends to present to voters a renewed political message capable of appealing to those who advocate a Hungary in which actions are motivated from within. The managing body will have to establish more firm, more clear-cut positions in the future regarding some of the issues in order to reach good compromises. Tolgyessy appraised last week's events by saying that Gyorgy Suranyi's dismissal from the head of the central bank had been saddening at a time when it became possible for the National Bank to be independent even from a legal standpoint. Regarding personnel changes in the Foreign Ministry, Tolgyessy criticized the fact that loyalty alone had been considered in selecting leaders.

The managers agreed that there was a need for more open, more practical, and publicly more comprehensible political discourse and that relations between party organizations must be made more effective. Pal Juhasz said that they intended to deal with ideological issues to a far lesser extent than before because in this regard unity within the party was at such high degree that it would be a waste to deal with ideology.

Tolgyessy also spoke about the platforms established not too long ago. The SZDSZ could only benefit if they encouraged political fragmentation within the party, but fragmentation may cause some concern if they only wanted to express loyalty toward persons. Juhasz Pal commented on this remark by saying that since differences between platforms were limited to ideological and ethical issues, the platforms would hardly threaten the unity of the SZDSZ.

**Liberal, Conservative SZDSZ Factions Formed**

92CH0240G Budapest MAGYAR HIRLAP  
in Hungarian 3 Dec 91 p 3

[Article by A.F. "Alliance of Free Democrats Marton Tardos Is the Faction Leader; Platform Organized"]

[Text] At yesterday's party caucus a sweeping majority of Alliance of Free Democrats [SZDSZ] National Assemblymen elected Marton Tardos as faction leader. Tardos

replaced Ivan Peto, who had resigned. Gyula Gaal became a member of the faction's leadership. The group of representatives also elected a new faction secretary in the person of Edit Rozsa. She will replace Nyiregyhaza representative Jozsef Gulyas, who resigned for personal reasons.

At a press conference in parliament yesterday the new faction leader declared that he was convinced that the SZDSZ would once again become strong because the crisis experienced by the party was not of an ideological, but of an organizational, character. In Tardos's judgment personal conflicts that have evolved as a result of the organizational crisis have not been expressed clearly. Tardos expressed hope that he would succeed in streamlining the activities of the managing body on the one hand and the faction leadership on the other.

The press was also told that two platforms have evolved within the SZDSZ representative group. The Liberal Circle headed by Ferenc Wekler has 23 founding members and its spokesmen are Matyas Eorsi, Gabor Ivanyi, Balint Magyar, Ivan Peto and Ferenc Wekler. The Liberal Circle espouses the values declared in the SZDSZ's statement of principles, while at the same time the Circle declared itself as liberal, having a platform committed to society. The Circle's goal is to appear as a clearly distinguishable opposition vis-a-vis the concepts of the present government, which limit the scope of the system change to the single issue of changing leaders. The Circle does not accept an overextended state staff; it intends to represent the enforcement of freedom for individuals and for minorities. Ferenc Wekler stressed

The Liberal Conservative Union that rallied around Gaspar Miklos Tamas is close to the spirit of western, primarily British liberal conservatism. Tamas said that the platform openly supports the idea of capitalism. The Union's political preference may be described as constitutionality and the rule of law. It opposes bureaucratic planning, over-regulation, parliamentary omnipotence and the hysterical manufacture of laws. The Union urges the extension of court-made laws and the expansion of judicial power. It intends to counter agitation against elites, a practice which has been taken over from the Left by the extreme Right. Peter Hack and Istvan Szent-Ivanyi from the SZDSZ's present faction are among the 12 members of the Liberal Conservative Union.

**'Common Will' Group Calls for Media Changes**

92CH0238A Budapest UJ MAGYARORSZAG  
in Hungarian 6 Dec 91 p 4

[Article by (mai) "Thousands of Applications—Honest Realistic Information"]

[Text] We are conversing with Laszlo Szekeres, a leader of the Common Will Society formed on 26 October. The

Society intends to make issues out of distorted phenomena appearing in Hungarian mass communications which violate journalistic ethics, and its membership is composed by far not only of journalists, but also of press sociologists, National Assembly representatives, members of the clergy, and representatives of a number of other professions.

Some people may believe that too many references are being made these days to the term "Common Will," which is part of the Society's name; these references make us feel as if the concept of common will has been worn out somewhat. Laszlo Szekeres views the situation differently. The "palette of pluralism" which included much fewer colors than today's palette had been the common denominator of the Hungarian opposition and had expressed a desire for a system change. The opposition's will also focused on a desire to accomplish a comprehensive change in the media, and the Society's leaders and members feel that such a change has not taken place to this date. Accordingly, a real breakthrough has not been accomplished; the same persons as before occupy key positions. Those who crouched behind the protective bastions of the party state and thrust their arrows at the opposition of earlier days continue to today thrust the same arrows at political parties that have won free elections and at the independent Hungarian Government. There is a need for honest, realistic information and the criteria for such information could be based on the ethical code of the British Broadcasting Corporation [BBC]. Laszlo Szekeres is thoroughly familiar with those standards.

#### **Serving the Public**

What is the Society's perception of modern mass communications?

In their view journalists should not be feeding their own views to the public, but should strive to perform a public service. But could this kind of service not lead to a situation in which the service provided to viewers, readers and listeners sank to increasingly lower levels and ended up in mudslinging? This is not at issue, Laszlo Szekeres said; instead the issue is that recipients of the information should hear correct, real news at last. The goal should not be to satisfy the passions of the masses but to permit information to flow in a truly free fashion and without manipulation.

This must not be understood to mean that the Public Will Society is against party newspapers and that it regards only the independent newspapers as acceptable. This is not the issue; there is a need for party newspapers because party newspapers may be found in every developed democracy and their existence is necessary. The problem is that quite a few newspapers linked to party politics use the adjective "independent public life" thus misleading the readers. The Society believes that it would be important to present the facts on the mastheads of newspapers. Thereafter we raised a question concerning the movements to which the Society felt close to

The Public Will Society does not intend to serve as the spokesman for any party, moreover, it does not endeavor to establish a mass constituency for the coalition either. This can be seen from the Society's membership rosters. There is no room to indicate party affiliation.

The Society is still unable to maintain up-to-date membership records; around 26 October some 600 people joined as charter members, and ever since that time hundreds, even thousands of letters expressing an intent to join have arrived from every part of the country, and local organizations are being formed. When I pressed for an answer concerning the goal of the Society, Laszlo Szekeres pulled out an official statement of the Society to quote a passage: "The media war has been raging in Hungary for two years. As of recently the situation has become so bad that we could regard this war as an intellectual civil war. The struggle has no rules, standards of fundamental journalistic ethics do not prevail and the public is the biggest loser. Almost every individual and community, the nation's spiritual unity, self-respect, and optimism has been hit by a sniper's bullet. Even the temple of democracy opened not too long ago may collapse if the inclination to fight increases."

The authors of the statement did not have economic or moral collapse in mind, but the threat of such a collapse is also present. Another passage quoted states that "We recognize passions rather than arguments, the conscious misleading of people instead of proper information, and an arbitrary and forceful molding of consciousness. The Hungarian press, which in the latter years of the Kadar dictatorship did indeed urge democratic transformation has plummeted into an unprecedented political and moral slump; we can almost see and hear the press playing the role of the enemy of democracy. There is no freedom of the press, because freedom is not coupled with the responsibility to provide information nor is it accompanied by the protection of the interests of listeners, viewers and readers. There is censorship in Hungary. It is a self-censorship exercised by the chieftains of the press industry adjusted to their own partisan sentiments. Accordingly we demand that the media war come to an end!"

#### **Mass Information Should Be Independent**

A number of people who work for the press have declared themselves to be dedicated communists in the previous system and have acted accordingly. Quite naturally, these people no longer voice the same feelings; nevertheless they have not become the friends of the present system either. Aside from this they could work as honest journalists. Their own way of thinking does not necessarily prevent them from performing tasks in an honorable manner. But when a journalist tries to sell his own opinion as the objective truth, he immediately loses the right to call himself an honest journalist. Asked what should be done when a journalist expresses his own view when he claims that he is following his own conscience and that he believes that his words are the words of truth, Szekeres said that such journalists should form party

organizations or should work for newspapers which declare their affiliations on their mastheads, and that journalism—exclusive of the conveyance of news and the function of informing the public—includes certain "free forms of communication" which reveal that certain articles do not contain objective information but instead, subjective opinion. Mass information must be fundamentally independent. It would be a waste to deny the fact that the state press, radio, and television are clearly under the authority of the prevailing government. (This situation also exists in all of West Europe and in the United States.) This does not represent a slave mentality in the West, because there the paths of democratic information dissemination have already evened out. And would this not limit the independence of the press? In Laszlo Szekeres's view it would, but only to the extent of the political trend that guides the state power. The press must always faithfully reflect how the government works and what it does. And then the reader, in his capacity as a voter may express his satisfaction or dissatisfaction at the appropriate time. Quite naturally the Common Will Society does not question the need for a high standard boulevard press. A native born Hungarian by the name of Pulitzer established this mass communication medium. But even these newspapers must not have any other yardstick regarding their editorial policies than the standards of truth and timeliness.

The Public Will Society's most important goal is the conveyance of true information. How can this goal be accomplished? Using its growing prestige, the Society intends to take repeated action against every journalist, news report, program, or even medium which endeavors to distort the news. The Society knows that a lot has to be done. The Society would like to inform readers about what is necessary and what is worthwhile to read in order to inform themselves. They are establishing a well-organized press monitoring service and will call on the ethics committee of the National Association of Hungarian Journalists [MUOSZ] or go to court if certain authors or newspapers regularly tell half-truths or distort the news.

#### **Not Against Journalists**

Although charges to this effect have been voiced, the Society is not against journalists. To the contrary. One of the Society's important goals is to take action on behalf of colleagues who have been unfairly placed on the sidelines or have been attacked.

A third goal of no lesser significance is to revive the tradition of readers' circles, a rather popular institution in the Hungarian countryside prior to World War II. These small communities made significant contributions to develop the country's, and mainly the countryside's, spiritual profile. No justification is required to support the claim that reintroducing functioning readers' circles in these days will fill a great void.

#### **MDF Parliamentary Representatives on Retribution**

##### **Konya Urges Severity**

92CH0243A Budapest NEPSZABADSAG in Hungarian  
30 Nov 91 pp 1 / 4

[Report on the 29 November press conference of Imre Konya, leader of the Hungarian Democratic Forum in parliament, by Jozsef Bartha Szabo. "Package Upon Package"]

[Text] The MDF [Hungarian Democratic Forum], with its nationalist leanings and historical roots, cannot refuse to undertake the tasks devolving on it in conjunction with rendering justice, a national issue of vital importance said Imre Konya yesterday forenoon, at a press conference held at the party's headquarters.

The rendering of justice formulated as a part of the Justitia Plan, must remain on the agenda as before, according to the MDF leader in parliament. Despite the opposition's stiff resistance the government believes the time has come to undertake the necessary measures. In addition to the already implemented change of political systems, Imre Konya emphasized, in itself the removal of omniscient party functionaries has been historical justice of sorts. But society is demanding action that is more determined and more consistent, according to the MDF leader. The MDF caucus has had the honor to elaborate the policy on the further tasks in conjunction with rendering justice and the government will be adopting the necessary practical measures on the basis of that policy. The main tasks include clarification of the history of recent decades, the processing of secret documents and making them public, and the establishment of personal responsibility said Imre Konya. As further tasks he identified the abolition of privileges, and the uncovering of crimes committed in conjunction with the dismantling of state ownership. In their present composition however the police and the prosecutor's office are not qualified professionally for such investigations, said the MDF leader. He then announced that the package on rendering justice would soon be presented to the prime minister.

Zsolt Zetenyi, one of the sponsors of the Law Suspending the Statute of Limitations, emphasized at the press conference that the sons of the harsh 1956 revolution must use their acquired power also to render justice. To the reporters who had voiced doubts, the member of parliament said that an important goal in rendering justice was also to make the Hungarian people aware of their dignity. Because a society without a sense of dignity resembled an immunodeficient organism which pathogens could easily destroy.

Replying to the reporters' questions, Imre Konya explained that the SZDSZ [Alliance of Free Democrats], which was gambling on bringing down the government, had attempted to prevent by every possible means the rendering of justice, in the hope of creating tensions.

within the coalition. A consequence of this flawed political practice was the downfall of the SZDSZ's hard core, said the MDF leader. He added that Peter Tolgyessy's election as president of the SZDSZ provided some hope of cooperation in the interest of rendering justice.

### Leniency Provisions Cited

92CH0243B Budapest NEPSZABADSAG in Hungarian 30 Nov 91 p 4

[Unattributed report: "From Our Local Correspondents"]

[Text] MDF [Hungarian Democratic Forum] members of parliament held press briefings yesterday in several Hungarian cities on the Zetenyi-Takacs law. According to reports filed by our local correspondents in Bekescsaba, Miskolc, Szekszard, and Pecs, the members of parliament wanted mainly to dispel the fears and doubts in conjunction with the legislation.

It was emphasized at the press briefings that the law serves to promote reconciliation. Its primary purpose is to offer moral amends. No lists will be drawn up of persons who are to be brought to justice, and there is no question of preparing county "breakdowns" of the law's implementation. As an argument against the opposition's charges of "retribution," several speakers pointed out that there would be no limits on leniency in sentencing. Andras Hegedus, the one-time prime minister who had signed the Warsaw Pact, was cited as an example in Szekszard. He demonstrably regretted having been a communist. If he were ever committed to trial he would escape punishment because of his merits.

### Political Struggle in Historical Justice Group

92CH0205A Budapest MAGYAR FORUM in Hungarian 21 Nov 91 p 3

[Interview with Istvan Gyorgy, suspended member of the 1956 Section of the Committee for Historical Justice by L.B.Sz., place and date not given: "Despotism in the Committee for Historical Justice"—first paragraph is MAGYAR FORUM introduction]

[Text] Headed by its chairman, Miklos Vasarhelyi, the presidium of the Committee for Historical Justice (TIB) suspended two members of its 1956 Section, namely Istvan Gyorgy and Jozsef Tittmann, in conjunction with the preparations for commemorating the 1956 revolution's anniversary this year on 23 October. We interviewed Istvan Gyorgy, a member of the 1956 Section's executive within the TIB, about the conflicts and their causes.

### Suspension Farce

[MAGYAR FORUM] When did the suspension occur?

[Gyorgy] I would call it a suspension farce, rather than suspension. For the supposedly national-leadership meeting on 3 October was held in violation of the TIB bylaws.

[MAGYAR FORUM] What does that mean?

[Gyorgy] There were two draft bylaws at the TIB's general meeting in May. The general meeting instructed the presidium to appoint an ad hoc committee for combining the two drafts into one, for approval by a general meeting that was to have convened in September.

[MAGYAR FORUM] What happened thereafter?

[Gyorgy] Nothing. Since September the TIB has been without bylaws. Which simply means that the presidium has been acting without authority since then. Miklos Vasarhelyi and Andras B. Hegedus are taking revenge for criticism directed against their political, organizational, and business activity.

[MAGYAR FORUM] To my knowledge, you people had expressed reservations even earlier about certain "one-man" decisions taken by the chairman. About the memorial plaque unveiled at the Radio Building, and the chairman's speech on that occasion, for instance.

[Gyorgy] Yes. Jointly with the Military Section we protested against the memorial plaque Miklos Vasarhelyi had ordered installed there in our name, and against his speech dedicating the plaque. In providing information about the "victims," the plaque lumps together the victims and their murderers. And Vasarhelyi in his speech urged reconciliation to the murderers still living. He did all that without our knowledge and consent. And in our name.

### Bolshevik Modesty

[MAGYAR FORUM] Among the veterans of the 1956 revolution the impression is gaining ground that, before long, the reform-communists will be wanting to present themselves as freedom fighters.

[Gyorgy] Yes. Their attempts to establish their freedom-fighter credentials and to claim credit for the initiative and a leading role in the fight for freedom are typical examples of bolshevik "modesty." In the celebrations they "proved" their bravery at the side of the president and the prime minister. But they remained modestly silent under Csermanek. And that is what they should be doing now as well.

[MAGYAR FORUM] But now they are preaching reconciliation. Moreover, they are not denying their readiness to cooperate even with the MSZP [Hungarian Socialist Party].

[Gyorgy] Now they are playing the role of Bagarja the pacifist for the benefit of the "Mister Comrades." The MSZP (undoubtedly) will be glad to provide the extras for this.

[MAGYAR FORUM] The leaders of the TIB resent your section also because it wants to audit their organizational activity and is demanding honest finances.

#### **Christian Ethics**

[Gyorgy] By now the 1956 Section is a nationwide organization, under leaders of high intellectual capacity who espouse the precepts of Christian ethics. The section is demanding controlled organizational activity and transparent finances, which can best be ensured through regular professional audits.

[MAGYAR FORUM] How could one sum up succinctly the most significant differences between the TIB and its 1956 Section over political, organizational, and business issues?

[Gyorgy] In its policies, the TB presidium's views on the issues of responsibility, rendering accounts, and reconciliation are different from ours.

#### **Demszky Approves Government's Revised Expo Plan**

92CH0244A Budapest MAGYAR HIRLAP  
in Hungarian 5 Dec 91 p 5

[Article by Z.G. "Demszky Says the Government, Not Budapest, Is Organizing Expo"]

[Text] The Law on the Budapest International Exposition [BIE] delegates to the government sufficient authority to enable it to organize a successful expo, said Metropolitan Mayor Gabor Demszky at his press conference yesterday. At the same time, the law also contains a final decision specifying that henceforth the exposition will be solely the government's responsibility.

The metropolitan mayor felt that an undeniable advantage of parliament's decision last Tuesday was finally putting an end to the bitter political dispute which had been going on for 18 months. As indicated above, the Budapest metropolitan administration has taken cognizance of the final outcome, without qualification.

In the legislative bill, on which the Budapest Metropolitan Council had commented earlier, several provisions were modified and amended during the bill's parliamentary debate. For instance, the state budget's total liability will be 17 billion forints, instead of the 30 billion proposed initially. The law has no supplement, and hence no itemized list of the infrastructure required for the exposition's realization. That makes it possible not to burden the allocation for the exposition with the cost of building the Lagymanyos Bridge over the Danube.

A further change is that parliament has reduced the area to be developed for the exposition from the 317 hectares proposed originally (by the Budapest Metropolitan Council) to 80 hectares. In other words, the BIE Council and the high commissioner will be exercising authority over a smaller area. This change does not affect the size of the exposition grounds proper; their area will be 25

hectares, the same as that of the present BNV [Budapest International Fair]. The metropolitan mayor emphasized that, pursuant to the law, the government will be setting up the BIE Council and designating the high commissioner. The heads of the local governments concerned will be able to participate in the council's work, with a voice but no vote.

Accordingly, the government and not the city—contrary to international practice—is assuming financial responsibility for the investments on the exposition grounds and for staging the exposition. Gabor Demszky welcomed [International Economic Relations] Minister Bela Kadar's statement about his intention to cooperate with Budapest in the spirit of the agreement.

The metropolitan mayor responded in the same spirit and added that the city was awaiting the government's proposed work schedule. Cooperation could begin foreseeably after the 12 December decision of the BIE [Council].

#### **Palotas Scores Government's Economic Policies**

92CH0240A Budapest NEPSZABADSAG in Hungarian  
2 Dec 91 p 5

[Interview with Janos Palotas, Hungarian Democratic Forum national assemblyman and president of the National Association of Entrepreneurs, by Zsuzsa Gal on 1 December place not given "According to Janos Palotas, the Government Has No Economic Policy"—first paragraph is NEPSZABADSAG introduction]

[Text] We interviewed Janos Palotas, MDF [Hungarian Democratic Forum] representative and VOSZ [National Association of Entrepreneurs] president, on Sunday.

[Gal] How do you feel about personnel changes at the head of the central bank?

[Palotas] It should not be so surprising that the president has been relieved of his duties before his six-year term expired. Incidentally, I had some professional differences with the Hungarian National Bank [MNB], and I do not see these problems as having been resolved by Peter Akos Bod taking the place of Gyorgy Suranyi. At the same time I am disturbed by the fact that the deputy presidents have remained in their places because it is not entirely clear that these are well-prepared financial policymakers.

[Gal] What differences did you have with the MNB?

[Palotas] They pertained to the limits of entrepreneurial freedom, and having to obtain MNB's permission to invest abroad and the bank's frequent denial of such requests. Hungarian citizens can only go to the casinos while abroad; they cannot engage in enterprise. VOSZ has petitioned the Constitutional Court in this regard and the case is pending.

[Gal] Who will be appointed to head the Ministry of Industry?

[Palotas] I have no idea.

[Gral] Not too long ago we heard your name mentioned among the possible candidates.

[Palotas] I am unaware of this, but I would not accept that job even if that was the case. I maintain my relations with the head of government with the obligatory respect, but he and I could hardly work together. I do not see a chance for realizing the kind of economic policy I believe in under the present cabinet.

[Gral] You are obviously depressed by financial restrictions.

[Palotas] Not quite. I am much rather depressed by the general state of finances and by the lack of selectivity.

[Gral] And yet you do not regret the departure of the liberal Suranyi?

[Palotas] Businessmen do not regard Gyorgy Suranyi as a liberal financial policymaker. Viewed from another side, the liberal opposition does not really believe in alleviating the restrictions either—they support their views by invoking the events that took place in 1985 and 1986. I believe that this is mistaken because in those days only the giants of the state's large industry received financial resources. I advocate a selective charging of the economy and believe that the evolution of private capital should be supported.

[Gral] In that case you might be pleased with rumors concerning the dismissal of the finance minister.

[Palotas] I would not be surprised if Mihaly Kupa also left the cabinet. I told him from the beginning: He must be aware that all the government needs is an ability to show the existence of a popular, publicly comprehensible economic policy. Implementing the economic policy has not ever occurred to anyone—not even for a moment. In order to implement an economic policy which represents a real breakthrough we should first decide the direction we want to follow. We should decide what the Hungarian Swiss watch is going to be. We should know in which direction we want to break through whether we want to become the financial, commercial, educational or perhaps the health care center of this region.

[Gral] Why is there no such concept?

[Palotas] Mihaly Kupa, Bela Kadar, Gyorgy Suranyi and Peter Akos Bod each think in terms of some kind of economic policy, but these designs are mutually exclusive. A messenger has just delivered to me the draft budget law; this means that the 1,000-page document delivered on 1 December will not be debated on its merits even if a few representatives are familiar with its contents. I would understand the long time lapse if they submitted an entirely new concept. For all it matters this budget could have been written a year ago—in December.

[Gral] You won the battle with respect to Pharmatrade. What is your next step going to be?

[Palotas] I accepted the State Property Agency's [AVI] decision. The transfer of assets is next, and this will be complicated. There are lessees against whom I could prevail only after lengthy litigation.

[Gral] You are in an unusual bad mood. What is depressing you?

[Palotas] Peter Akos Bod has neatly arranged his own state monopolies in the background—within the oil industries and elsewhere in all of the large distribution fields. The state holding corporations have their own corporations, but the state exercises majority control in all of these. In other words, he extracted capital from the private sector and the authority to make decisions remained in the state's hands. No greater damage than this could have been done.

#### Return of "Stolen" Schools to Churches Defended

20 HU29B Budapest (J. MAGYAR RODNZS) in Hungarian 2 Dec 91

[Article by Balint Torok: "Thou Shalt Not Steal"]

Text: An article in the first 1991 issue of BECSI NAPLO, the newspaper of Hungarians in Austria, deals with the issue of nationalized property. The article entitled "Privatization or Reprivatization" was written by Bela Liptak, the well-known Hungarian professor in America. In regard to the various kinds of nationalization, the author states that "Such acts would be regarded as theft in the West, and governments ordering such actions would be called robbers. Anyone possessing or selling stolen goods is called an accessory." He continues: These names are also used here in Europe.

Not too long ago there appeared an article in MAGYAR HERLAP. Its title proclaimed that "churches requested the return of more than 6,000 pieces of real property." Six-thousand is much indeed, but the property that had been taken away from the churches amounts to even more. Prior to 1948 60 percent of the schools were clerical; today we are lucky if one percent of the schools becomes clerical after fulfilling the very modest requests.

There are two reasons for this modesty. One is objective: The party state has virtually entirely destroyed the financial base of churches—the number of potential donors and the size of gifts has decreased due to the impoverishment of society. The other reason is subjective: As a result of antireligious propaganda and upbringing, and because of the limited activities of churches, the number and strength of atheists has increased. There is a large number of noncommunist atheists in addition to the red atheist. Some objected to making a distinction on the basis of color—red-white. Could it be that this distinction is justified and that the atheist we see is homogeneous with others in Marxism?

The kind of strength (marital, social strength) this programmatic religious statement—and so atheism in the philosophical sense—represents could be seen in the course of establishing claims for the return of the Congregation of the Sisters Named After the Redeemer Building. Those who protected the college building named after János Bolyai called their less than a decade old restoration as "having a great past" in contrast to the several centuries old past of the Catholic Church and the several decades of history of the Congregation. This view of mistaken dimensions is the consequence of 40 years of brainwashing.

The case of the Reformed Church Gymnasium on János Street has already emerged in several contexts. The above mentioned MAGYAR HIRLAP article also mentions the same reporting on what essentially amounted to a protest by the representative of the University of Economics that occupies the building today.

Ever since its establishment the Budapest Reformed Church Gymnasium operated as a "people's school," aiming for poor people here not in the sense that the school provided elementary level education but in the [Greek] (poor) proper sense. Accordingly, the children at present from various strata and reflecting all shades of the political spectrum were able to enter this school. In my class children of petty and high bourgeoisie, white collar workers and peasant families could equally be found. Minor aristocrats had been missing, but not as a matter of principle. Lónyay had been generally a Gymnasium of good standards. It provided exactly what Hungarian students needed at the time. Our school did not produce as many Nobel Prize winners as the Evangelical Gymnasium at Basa János (Budapest street) but the only Nobel Prize winner who performed his work under Hungarian conditions and received the highest scientific award had graduated from the Reformed Church Gymnasium. That student at János was Albert Szent-Györgyi.

It would be too long to list the schools maintained by the Hungarian Reformed Church and I would take even more space if praise were about. But we certainly could claim that the educational affairs of a free democratic Hungary could not be perceived without the colleges at Debrecen, Pápa and Szécsény and the Reformed Church Gymnasium on János Street. This is why Hungarian members of the Reformed Church insist on the return of the state-owned school building. They would deny their own past and undermine their future if they surrendered the Reformed Church Gymnasium after having restored European legal order.

The schools that were built between 1945 and 1949 and as the caption under the photo that appeared in MAGYAR HIRLAP indicates, the faithful contributed by purchasing stock bonds. It is a study sponsored by the Paul Török Foundation of the Budapest Reformed Church that indicates the financial foundations of the new schools were established from gifts and bequests

made by the Reformed Church faithful—in addition to support provided by the state and the capital.

Lónyay survived the nationalization of 1948 because pursuant to an agreement reached between the state and the church the Budapest Reformed Church Gymnasium together with the aforementioned colleges remained the property of the church. In 1987 however these too were taken away as a result of a breach of agreement. To use Professor Lipták's words this amounted to double theft because it also violated the legal order of the communist system. The new "owners" used the wrongfully acquired property in the wrong way. They reconstructed the building and added to it disregarding the building's character; removed a fresco (and this did not take place in the days of "revolutionary" fever but a decade and a half later) made memorial plaques disappear (one has already been found but another memorializing the heroic dead of World War I has not) converted the ceremonial hall into a "sports arena" and a stage into a "cockpit" (using so much money that they could have built a new one).

According to a memorandum of negotiations dated 14 November 1991 the then—communist—rector recognizes and appreciates the church's claim regarding the building. (He was not silent about the university's problems either but at least he appreciated the church's concern!) The 16 October 1991 issue of the university's newspaper KÖZÖSSÉGZÁSZA included a report of the university council's 30 September meeting at which the council discussed the Reformed Church's claim to the Kinizsi Street building, and was totally opposed to it. The rector manifested the same attitude in the course of personal discussions.

This question arises: What generation of economists could graduate from a "stolen building," to use Professor Lipták's words. And what kind of civil sense of decency would imbue those future professionals who thought that their undisturbed education was the fruit of the communist double theft? We are not surprised about the KÁVÉ (State Security Department) officer who lived and disturbed in an apartment from which he dragged away his victim after 1986 nor are not surprised when a party secretary heir insists on keeping furniture that he robbed and for which he killed. What cannot be understood however is the fact that Rector Rudolf Andorka—in his civilian capacity the lay chairman of the Evangelical Church Synod—appreciates the Reformed Church's demand to a lesser extent than his communist predecessor.

In the BECSI NAPLO article Professor Lipták alled attention to Western standards. I prefer to appeal to European standards (after all what constitutes East and West depends on one's vantage point). Christian standards that prevail in Europe which have determined the life of the Hungarian people for a thousand years and the creation of which always drew great public queues. The foundation of these standards are the Old and the New Testaments and within those the Ten-

commandments. We cite the appropriate commandment: *'Thou shall not steal'*

### Costs, Benefits of EC Membership Analyzed

#### Minister Kadar Optimistic

*EUROPEA Budapest M4G1 AR NEMZETI economiai megállomány Hungarian? Dec 91 pp 1-1*

[Interview with Bela Kadar, international economic relations minister; by Judit Durst; place and date not given; "Opportunity for Our Integration Into Europe"]

[Text] [Durst] Would you please give us your assessment of Hungary's association agreement with the EC?

[Kadar] The agreement may be regarded a significant success in every respect. The very fact that during the negotiations - and again after the 6 September "ross winds" from France also the Communists amended its instructions to its negotiators indicates that we have been able to assert our fundamental interests. This surprised many people already because our western partners have not yet become accustomed to the new Hungary's negotiating style. At the same time we may also regard the agreement a success in formulating common European interests. It starts out from the Hungarian side's ability to adjust and to implement the agreement; and Hungary's accelerating integration extends further eastward also in a geographic sense: the borders of a developed and stable West Europe.

[Durst] What are the elements that make this agreement something more than our earlier cooperation? What presents further progress over the concessions the Common Market has granted us so far?

[Kadar] The history of cooperation between the EC and our country goes back to the 1970's, and then to the signing of an economic and trade agreement in 1989. The strategy of the earlier Hungarian negotiators and of the government of the day was that this cooperation would be developed further in the direction of a free-trade agreement. In comparison with that strategy we have now succeeded in concluding an agreement that contains integrational elements as well. These are the specific results from which we have to start out instead of arguing over what should have been included in the agreement.

[Durst] What are the integrational elements?

[Kadar] First: after lengthy and tough negotiations, we have succeeded in reflecting in the agreement that Hungary's goal is full-fledged membership and that in the contracting parties' opinion the agreement will enhance the realization of that goal.

[Durst] But that cannot yet be regarded as an admission to the Community.

[Kadar] I have not claimed that it can. Our negotiating strategy was merely to briefly mention in the text of the

agreement our intention to gain full-fledged membership. Naturally the EC was not particularly enthusiastic about committing itself more firmly. But then also Hungary's economy and society need a few years to adjust and mature, so that they become able to assume the obligations that joining entails.

But let us revert to the elements of integration. The agreement institutionalizes political dialog between the contracting parties, and that in itself points beyond a free-trade agreement.

Another essential element is the agreement's asymmetric nature. Anyone the least bit familiar with the practice of international relations is able to appreciate what it means to have been able to reflect in the agreement cooperative obligations stemming from the Community's and Hungary's different levels of economic development. We were able to gain acceptance of the principle that the contracting parties would be granting asymmetric concessions to each other. Which means that the Community will be dismantling to a greater extent and at a faster rate the customs duties and quantitative restrictions on Hungarian commodities while Hungary will reciprocate only after a certain period of grace and at a much slower pace. Thus way Hungary's less developed industry will be able to catch up in its ability to meet the Western European area's strict competition requirements.

Another integrational element is that the Common Market will be supporting also with financial resources the acceleration of the Hungarian economy's restructuring and the introduction of convertibility. I believe that no free-trade agreement contains such a provision.

[Durst] To my knowledge however the Hungarian side was unable to gain acceptance of its proposal on the issue of manpower.

[Kadar] It is common knowledge that the West European labor market is very tight at present. Due to the slow-down of economic growth on the one hand and to the influx of illegal immigrants mostly from third-world countries on the other hand an intensive supply of labor has developed. This is a very sensitive political issue and one hears more and more about the rising xenophobia. The problem of the oversupply of workers arriving from developing countries is being considered at the highest levels of West Europe's leadership. On top of that there is a real danger that millions of people will suddenly start to migrate toward Western Europe if political uncertainty in Eastern Europe leads to permanent chaos there. And that is every politician's worst nightmare. Therefore it is understandable that the Twelve do not wish to create a contractual framework for that possibility. That is why the agreement contains only an implicit promise to the effect that the Communities' member states will consider favorably implementation opportunities for specialists from the three Central European countries.

During the negotiations incidentally, myself have pointed out repeatedly that this would not be about export from Hungary but the training of a certain number of specialists in the environment of a developed economy. That could be the greatest help in restructuring. After all, the returning specialists would introduce western technology and economic behavior also in our country, and would be an excellent source of man power supply also for the mixed enterprises operating in Hungary.

[Durst] The agreement also specifies that the EC countries' banks and insurance companies will gain the right of establishment in Hungary. Which means that they will be treated the same way as Hungarian banks and insurance companies. But the Hungarian financial institutions are afraid of the competition they will be having.

[Kadar] We strived also for that reason to specify a relatively long period of grace. But the "Europeanization" of the Hungarian banking system during a ten-year period is unavoidable. None of our professed intentions to create a market would appear serious if we were to say that even after ten years it would be necessary to protect Hungarian financial services from Common Market competition. We are facing a tough process of adjustment that will require revised-up decisionmaking and improvement of performance. All this would be necessary of course even if we were not wanting to integrate into the Community.

As I have emphasized on several occasions, a small country such as Hungary has no alternative but to open itself up to the world economy. All the doomsayers who are moaning so much about the dire consequences of assuming obligations in exchange for Common Market concessions—as if those were very grataeous ones—overlook a single minor point namely that a small country has no opportunity whatsoever to pursue economic policies of a protectionist nature. We have had to pay very dearly for such policies during the past half century. Actually all that began in the 1950's when we dropped out of the world economy. And would somebody please tell me toward which group of countries should we shift our orientation, if not toward the EC?

[Durst] Some people have suggested joining the European Free Trade Association.

[Kadar] First of all, to date the EFTA group has not shown by far as much willingness to compromise as the European Community has. Access to EC markets is present easier than to EFTA markets. Second, our talks with the EFTA do not cover agriculture. In that area we are negotiating access to markets on a bilateral basis. Third, the EFTA's share of our trade is merely 16 or 17 percent, and not 48 percent. In other words, it is about one-third of the EC's share. Moreover, one-fifth of our EFTA trade is with Austria.

[Durst] May I suggest that we return to the association agreement? More accurately, to the question of what effects it will have on the Hungarian economy.

[Kadar] General industrial goods account for 70 percent of Hungary's export, farm products for 26 or 27 percent. Within our total industrial export, textiles and clothing account for 10 percent, and metallurgical products for 5 percent. For industrial export the largest item within our total export, it will be a decisive improvement that customs duties and quantitative restrictions will cease for about 70 percent of it as soon as the association agreement becomes effective.

[Durst] What does that mean in terms of orders of magnitude?

[Kadar] By my estimates our export to the Community will be about \$4.5 billion this year. Within that total all customs duties and trade restrictions will cease for industrial goods worth more than \$2.5 billion. The customs duties on so-called sensitive items will be phased out gradually over a period of five years. Thus in the second half of this decade Hungarian industry will have access to the Community's markets without any restrictions.

[Durst] A much more critical part of the association agreement is the one that pertains to agricultural exports. At the beginning of the negotiations Common Market concessions for agriculture did not even come into consideration. Compared to that what the agreement contains is an achievement: for three years a 30 percent annual reduction of the customs duties as well as of the border-tariff duties on Hungarian agricultural products. But how much will that help the agricultural sector which is now in a critical situation and will have to compete with lower customs duties albeit on a deferred basis?

[Kadar] In eastern markets Hungarian agriculture has lost more than half of the effective demand for its exports. Those products do not tolerate shipment, freezing instances. Hence access to EC markets is of key importance in their case. That in its turn requires adjustment to the Common Market's rules. Adjustment will be rendered easier by the 60-percent total reduction of customs duty on our farm products over three years and by our opportunity to increase the export volume by 10 percent a year over a period of five years. That way we will perhaps be able to compensate next year for the losses resulting from the collapse of our eastern markets and our agricultural exports could start to expand thereafter. Especially if the agricultural sector undergoes suitable specialization and adapts its production and development policies to the Community. We will compensate by giving the Community's products easier access to our market.

[Durst] To sum up what has been said so far, how much will we benefit from the association agreement and what will be costing us?

[Kadar] The association agreement offers us a bright prospect: opportunity to integrate into Europe. It adds value, it will significantly increase the incomes of Hungarian exporters already in the short term. The average

level of Common Market tariffs is 5.8 percent at present; but slightly higher—about 8 or 9 percent—for the commodity structure of Hungarian export. Buyers and sellers will both benefit when customs duties on half of our total industrial export disappear immediately. The Hungarian exporter would have to be a simpleton to let the importer retain the entire 8 percent. Even if we assume a 50-50 split of the profit, the association agreement will mean 1 or 4 percent additional income for our enterprises.

But much greater will be the so-called quantitative absorbing effect resulting from the disappearance of restrictions. As a result of all this—assuming a suitable strategy for external economic relations, and suitable production, development and investment policies—Hungarian products will have free access to one of the world's markets with the largest capacities for absorbing goods. That will accelerate the Hungarian economy's export-led growth and modernization.

These are the unambiguous advantages. And, of course nothing comes free. But the specifics I have listed so far prove that association will produce a significant improvement in the Hungarian economy. If our export to the Community has developed so dynamically even under the present conditions (attaining a growth rate of 24 percent last year, and a similar growth rate is expected also this year), the improvement of our access to markets can hardly prove the doomsayers right.

[Durst] It is often being said that Hungarian enterprises are unprepared, that they are unfamiliar with the Common Market, and with its quality specifications and standards. Several people have suggested that a serious information campaign ought to be launched to prepare the enterprises.

[Kadar] Before the association agreement goes into effect, we will set up a European Secretariat whose task will be to organize the association agreement's implementation. But otherwise it will not be the ministry's fault if the enterprises are unable to take advantage of the opportunities that economic diplomacy creates. Cognizance must be taken of the fact that Hungary has a liberalized market economy, in which business decisions are not made at the cabinet level. In my opinion, if our export to the Common Market is expanding so vigorously even in the existing environment and under the present conditions, then it is not possible to contend unambiguously that the Hungarian enterprises do not know what the Common Market is all about. One thing is certain: there will be stiff competition, and a rigorous training program is necessary to prepare for it. And whoever is unable to complete the training program will perhaps be no loss.

[Durst] If you were to make predictions now, when could Hungary become a full-fledged EC member?

[Kadar] We still have to wait five or six years to evaluate the results of the process of adjustment. Only on the

basis of such an evaluation will we be able to begin new negotiations, but now on the conditions for full-fledged membership.

#### Chamber of Commerce Continues

92CH0219B Budapest MAGYAR NEMZET (economic supplement) in Hungarian 2 Dec 91 p 1

[Interview with Istvan Jasdi, chairman of the Common Market Section within the Hungarian Chamber of Commerce, by Judit Durst, place and date not given "Unprepared, It Will Not Be Feasible"]

[Text] [Jasdi] I believe it is important to emphasize that there is no alternative to adjusting to the European Community, something the association agreement will facilitate. But having said that, I would also like to call attention to the pitfalls.

The backbone of the agreement is the compromise on so-called asymmetric free trade. This means not only that Hungary undertakes to reduce tariffs merely five years from now, but also that the level of tariffs we will be relinquishing after the expiration of the grace period will be about three times higher overall than the level of the Common Market's tariffs. (The EC levies customs duty on Hungarian products at an average rate of 5 percent, while the rate of the customs duty we levy on EC products averages 15 percent.) And it also means that in the final outcome the Hungarian state budget will be losing three times as much revenue as the Community. Or to put it another way, five years from now EC enterprises will be enjoying three times greater tariff concessions in Hungary than our enterprises will be enjoying in the Common Market. Under these conditions the key issue in the essentially free-trade agreement is not the reduction of tariffs, but market access for textiles and steel products, which is regulated by measures of the self-restraint type that the Common Market likes to employ.

[Durst] Nevertheless, the Hungarian delegation has had considerable success in asserting our interests. In agriculture, for instance.

[Jasdi] I am not disputing that. The real significance of the concessions the Common Market has granted in agriculture is that they are suitable to give Hungary's competitive raw and processed agricultural products a chance to survive at least at their export's present order of magnitude. By no means negligible is also the fact that if the system is operated properly, the export of Hungarian agricultural products could gradually become independent of export subsidies and hence independent of the Hungarian state budget's situation at any given time. This way the privatization of Hungary's farm production and of its processing could finally begin.

[Durst] It is being said that the advantages for Hungarian industry are even more pronounced.

[Jasdi] For the most competitive industries the association agreement could certainly provide better access to markets and increasing revenue from sales. But Hungarian enterprises must prepare themselves for much stiffer competition than at present, once the Hungarian tariff concessions will have been introduced. The enterprises may expect to maintain their market positions at home only if they are suitably prepared and are able to offer a suitable supply. It is very important that they retain their domestic market positions. After all, domestic jobs—so sorely needed at present—can be created only by selling Hungarian merchandise. Only the type of mentality that is typical of, say Japan or South Korea, where preference is given to domestic products, can ensure the protection of infant industries and the survival of traditional industries.

[Durst] The association agreement contains an escape clause that provides opportunity to assert the interests of domestic producers. The only question is, How will we invoke that clause?

[Jasdi] A brief comment will be in order here. During the negotiations, the Hungarian delegation's attitude to producer lobbies basically differed from the EC delegation's attitude. While the EC delegation followed Western European tradition by continually coordinating its every step with the member-states and the latter's interest-representing organizations, the Hungarian side wanted to prove its bureaucratic independence by emphasizing that it would not yield to any pressure from producers or enterprises.

Reverting to your comment, however much will depend in how boldly the Hungarian authorities will be using the tools that also the association agreement places at their disposal—for instance, setting higher tariffs to protect infant industries, or invoking the escape clause in case of balance-of-payments problems or market disruption.

All things considered, the Common Market's concessions will mean perceptible advantages for the Hungarian economy only if our enterprises and government agencies both prepare themselves in due time for the adjustments. Another way of putting this would be to say that the signing of the agreement is merely the start of a process. Practice alone will be able to rate its success.

#### **Association Agreement Too Limited**

*20 HÓZVÉ Budapest MÁG-YAR NEMZET (economic supplement) in Hungarian 2 Dec 91 p 5*

[Interview with Professor Tibor Palankai, chairman of the World Economy Department at Budapest University of Economic Sciences, by Judit Durst; place and date not given] "A Few Hundred Million Dollars Will Not Be Enough"

[Text] [Palankai] The association agreement is too limited in its scope. That, of course, was not our fault, but depended on the EC. On the fact that the commission in

Brussels received from the member-states a mandate that covered only a few areas.

[Durst] Specifically what do you have in mind?

[Palankai] In many respects this agreement does not meet the needs of the Central European countries. It remains limited mainly to the liberalization of trade and does nothing meaningful to satisfy Hungary's, Czechoslovakia's, and Poland's needs for capital.

[Durst] But the agreement does cover financial cooperation between the two parties. It specifies that the EC will provide aid under the Phare Program and also bridging loans in some cases—to alleviate our balance-of-payments problems, for instance.

[Palankai] We have been participating in the Phare Program since even before the agreement. But that does not yet ease our heavy debt burden. The EC could have remedied this indirectly by financing an East European payments union, which would have contributed toward the introduction of convertibility in these countries. And that would have led us into the ecu zone. But what must be regarded unquestionably a positive feature of the association agreement is that it gives us easier access to the European Investment Bank. The only question now is how much we may borrow because the EC budget must guarantee the loans the bank provides. We will not go far with just a few hundred million dollars.

[Durst] An expected increase in foreign investment is regarded as one of the great merits of the association agreement.

[Palankai] That is what I, too, am hoping for. But I am afraid, of course, that the investment-repelling effect of the war in Yugoslavia at present will prove stronger than the association agreement's investment-attracting effect. However, even if the crisis in Yugoslavia were to end, the problems would not be solved all at once—the association agreement will not remedy the Hungarian economy's general problems. The legal uncertainty and lack of infrastructure will be just as perceptible as before and foreign businessmen will not find them particularly appealing.

[Durst] To my knowledge, no specific analysis has been performed as yet of the association agreement's costs and its benefits. If a cost-benefit analysis were prepared now, would the benefits or the costs outweigh the other?

[Palankai] That depends on two things. First, on whether we are able to attract a large proportion of foreign capital that is invested in income-producing activity. The latter criterion is very important. The main worry at present is that investment is declining. It has declined this year again by about 10 percent. A rumor has started to spread recently claiming that 60 percent of the foreign capital in Hungary is in bank deposits. In other words, that this foreign capital is augmenting savings rather than investment. If this rumor proves true, it will be very alarming.

For it would mean that foreign capital is taking advantage of the difference in interest rates (to earn 30-percent interest on deposits in Hungary, as opposed to 10 percent at home) and is coming here solely for speculation. Such investment merely increases our indebtedness.

The other thing on which the success or failure of the association agreement will hinge is our ability to pursue a well thought-out structural policy and development policy. For the near future we will need an economic strategy that encourages investment and finally creates an entrepreneur-friendly environment. Structural change has just begun. Even this year's export results still stem from the old structure's reserves. But if a turnaround does not occur, if a competitive enterprise sphere does not emerge, then free trade with the EC will produce negative effects for us in the long term.

[Durst] The text of the association agreement states that this agreement will help Hungary achieve its aspiration of becoming a full-fledged member of the Community. Do you share that opinion?

[Palankai] Unless it is developed further, this association will not be enough for us to attain full-fledged membership. But it unquestionably provides a framework for gaining membership. For accession to occur, however, this framework will still have to be fleshed out with serious agreements on agricultural and financial problems, respectively. Otherwise it is quite obvious that Hungary has an interest to be integrated politically into the EC, perhaps a keener interest than some of the member-states. On the one hand, for security reasons. And on the other hand, because only in a Europe without frontiers can a solution to our ethnic problems be imagined.

#### History of EC-Hungarian Relations

92C H0219D Budapest MAGYAR NEMZETI economic supplement in Hungarian 2 Dec 91 p 1

[Summary compiled by Judit Durst: "The Development of Hungarian-EC Relations"]

[Text]

28 March 1967—The Treaty of Rome establishes the European Economic Community. Although Hungary, as a CEMA country, recognizes the EEC as a political entity, it does not accept the validity of its common economic policy and does not establish diplomatic relations with it.

After 1968—The two parties conclude a few technical agreements.

1973—Hungary joins GATT (General Agreement on Tariffs and Trade), and the group now called the European Community grants Hungary most-favored-nation treatment. But this applies only to tariffs; the quantitative restrictions remain in force.

1978-1982—The EC concludes sectoral agreements with Hungary for steel and textile exports, among others. Thereby Hungary undertakes measures of self-restraint. In spite of that, the EC provides a market for the most important Hungarian export products.

1988—CEMA and the EC sign a joint declaration whereby the two organizations mutually recognize each other.

26 September 1988—The EC and Hungary sign an economic and trade agreement. Within the framework of this agreement the EC extends most-favored-nation treatment to the areas of trade and cooperation, respectively. It undertakes to end by 31 December 1995, in three stages, the quantitative restrictions that are still in force. Which also means that henceforth the EC accepts Hungary as a market economy, practically recognizing Hungary's reform measures.

1989—The Phare Program is framed: an action plan to promote the restructuring of the Hungarian and Polish economies. The EC undertakes to provide the hungarian share of the loans.

1 January 1990—The EC removes the remaining qualitative restrictions against Hungary and extends the Generalized System of Tariff Preferences (GSP). Under it a wide range of products qualify for preferential treatment. Thus the Community treats Hungary in the same way as it treats the so-called nonassociated developing countries of Asia and Latin America.

31 March 1992 (?)—The scheduled effective date of the association agreement.

#### Near-Term Value of Association With EC Doubtful

92C H02024 Budapest HETT ULLAGO AZDASZ  
n Hungarian 10 Nov 91 pp 6-8

[Unattributed article: "In the Shadow of Triumph"]

[Text] Bananas will be cheaper by a few forint, and a few textile manufacturers will obtain new orders. That is about all we can expect in the first months after 1 March when last week's association agreement between Hungary and the European Community will go into effect. Some observers of the year-long talks that preceded the signing of the treaty like to talk about the Hungarians' forceful negotiating strategy, or the concessions resulting from the exhausting labor of many night shifts, while others assert that the mountains gave birth to a mouse.

Can the quota of imported pork-trimmings be increased by another 50 tons or not?" The difficulty of answering questions of this type had delayed signing the association agreement between the European Community and Hungary by another week, even though everyone expected the signing to take place by mid-November. According to Peter Balazs, department head at the Ministry of Economic Relations Abroad (NEKM)

the high principles crumbled in the course of long negotiations, and it came to light that neither parties has a long-range strategy when it comes to expectations from the other. As a result of this (added the cabinet's expert with a touch of irony) it became conceivable that if the individual responsible for brooms at the EC's Brussels center were to set the quota for brooms at 5,000 pieces then there would be no theoretical consideration preventing that figure from ending up as the Community's negotiating position put forth at the highest level. By the way those members of the Hungarian delegation who had previously participated in several CMEA negotiations felt quite at home during these talks in Brussels. Here too it was possible to become bogged down in preposterous details, and here too it was common to neglect to enter the previous day's agreements into the next day's calendar.

The bulk of the more than 100-page association agreement is filled by the lists that define what steps are to be taken by Hungary and the 12 EC member countries in the next 10 years to reach a completely free trade exempt of duties of industrial products. Observers are already pointing out the discrepancies potentially brought on by the concessions for the Community employing an average duty level of 5.6 percent on the one hand, and Hungary's 15-20 percent level of duties on the other. For itself the countries of the Common Market will immediately do away with duties in 14 percent of Hungarian exports, while in another 30 percent they will eliminate duties in five equal annual amounts. The first category includes steel products previously subjected to heavy import restrictions. However the Brussels officials are no longer likely to worry about Hungary's severely crippled steel industry (and much more about the competition presented by the foundries of Poland and Czechoslovakia, as illustrated by the fact that debates on permitting or not permitting their entry were the primary obstacles to signing EC agreements with those two countries).

It was another "delicate" topic that of textile manufacturing, that gave members of the Hungarian delegation their most difficult negotiating challenge. The average level of Common Market duties on goods in this category is about 10 percent, and seven years will pass before this will cease to be applied to Hungarian goods. From a Hungarian point of view it is considered the greatest success to have achieved immediate duty-exemption for contractual projects in the textile industry which make up one-third of Hungarian exports to the Community and 5 percent of all Hungarian export to Common Market members.

In exchange for duty concessions granted by the Common Market according to the "asymmetrical" principles applied, within three years Hungary will lift duty obligations on about 15 percent of industrial products from Common Market countries. It will be 1995 before the gradual elimination of duties will commence on the remaining industrial goods, to be completed in three years for some items and seven years for others. The

latter (so-called "delaying") list includes textile and steel products that represent the most immediate threat to Hungarian industries.

Within the other large category of mutual and unequal concessions the signatories propose to cut quantitative restrictions on each other's imports. Resolute as the Hungarian delegation was, it failed in accomplishing one of its former goals, that of having the EC formally set a date by which its member countries would end quantitative restrictions on importing Hungarian textile products. The agreement states only that this will occur in half the time as what is to be set by international negotiations presently conducted under the aegis of the GATT.

Still, while the agreement promises that both the Community and Hungary will eliminate duties on each other's industrial products within a more or less foreseeable period (namely 10 years), the only fixed element of the agreement on agricultural goods is that everything remains unchanged as regards to basic principles. In other words the Common Market will retain its own agrarian regulations vis-a-vis the associated countries (see the accompanying text in boxes) and "in exchange" for this the latter may implement all existing restrictions. To be sure in the next three years extra duties (referred to as removing excess profits) applied to a certain quantity of certain products and amounting to as much as 150-200 percent, will be cut by 20 percent annually in the next three years and the volume of subsidized imports will be annually increased by 10 percent. However agrarian experts assert that in practice these concessions can always be reversed.

As deep as it was possible to explore the data on duty tariff so superficial (according to observers) were the other "parcels" in the agreement. Exaggerated expectations notwithstanding, the EC assumed no obligation for immediate financial assistance. In fact the agreement does nothing more than fix existing collaborative endeavors. There is a continuing slow flow of assistance under the aegis of the so-called PHARE program, the European Investment Bank continues to offer preferential loans and there will even be a "direct financial cooperation" with the Community. However the agreement says nothing about volume.

Nor does the agreement bring a breakthrough for Hungarians who intend to work abroad. The only thing fixed was that member countries of the Community will increase opportunities, an obligation that will be satisfied if they do nothing more than issue one additional work permit in the next three years. In five years however so-called settlement will be free of restrictions meaning that entrepreneurs and independents, practicing physicians, engineers or lawyers seeking to establish themselves in the signatory countries will receive treatment that is identical with that applicable to local residents.

During the closing phases of negotiations representatives of the Hungarian government repeatedly stated that the agreement's substance is not in the details spread over more than 300 pages of text, but in a single sentence of the introduction which announces that this association is a step toward accepting Hungary as full member of the European Community. The leader of the EC delegation, Pablo Benavides (who also conducted the EC's negotiations with Poland and Czechoslovakia) spoke in a somewhat more restrained manner when he said: This association should not be seen as an entry permit, but at most as an experiment, at the end of which the recently associated Czechoslovakia, Poland and Hungary will decide whether they wish to become full members or not.

### Future Seen in Organic Farming, Pessimism Scored

25 HU246B Budapest UJ MAGYARORSZAG  
in Hungarian, 7 Dec 91 p

[Article by Geza Kruppa: "Virtue Could Be Forged Out of Necessity Hungary Could Become Europe's Organic Garden"]

[Text] No one has much good to say about Hungarian agriculture. The experts who root against things have well in advance predicted last spring that the peasants would not sow seeds in the great uncertainty that hunger would follow, and later that there would be no harvest, and after harvest they said that we would get stuck with the crop and then that no one wanted the land. And now it is once again the turn of the all-peoples' committee about peasants not sowing seeds.

In contrast, this year [1991] the agricultural economy has exported \$2.5 billion worth of commodities, this figure exceeds all previous export levels (last year's losses abroad amounted to \$2 billion), and with \$1 billion in profits derived from exports agriculture, the food industry is by far the most successful branch of the economy. Shops are filled with goods—everything is available even though things are expensive while—several neighboring countries hunger represents a real threat. These results have been produced by the agricultural branch at a time when it essentially finds itself in a crisis when several hundred farms are insolvent, when tens of thousands of cooperative members could be placed on the streets in lack of money and when the ministry makes frequent mistakes. The experts of a market-switch and of transforming agriculture must also be persevered.

In this contradictory situation—miserable life in the context of success achieved as a result of sweat and blood—these questions arise: what direction should this branch take; what products should it produce—products which also might provide a long-term household income. Lehel Racz, the successful businessman who learned from abroad has already made a decision. He committed himself to no less than promoting Hungary's becoming the organic garden of Europe. Using both Hungarian and

British capital he established Biogenique Europe Ltd which uses a French patent to manufacture a biological product called Manna Ray. This product made of grain is free of chemicals, it increases the resistance level of organisms, is in demand in several West European countries and is also available in Hungary. Lehel Racz claims that in Hungary virtue could be forged out of necessity: the relative backwardness of agriculture could make organic production flourish. This is so because as a result of a high degree of mechanized production agriculture in developed European countries is less suited for producing crop-free chemicals which in a high degree is manual labor intensive and is based on animal husbandry. For this reason these countries import the bulk of their organic products from the United States, North Africa and Asia—but they would also gladly purchase the same from Hungary. There is no shortage of demand because the culture of healthy nutrition is becoming increasingly widespread in Europe. For example, in France 700 bio-farms sell high-priced biological free apples, vegetables and meat, joined together with worms, as compared to the 500 such units two years ago. In France the warnings made by American scientists has already been taken seriously. Improper nutrition is the main cause of 15 percent of all cancer cases.

The widespread adoption of genetic engineering in organic production in Hungary would not only produce economic benefits in the narrow sense of that term, it would also provide a social and foreign governments regard the maintenance of peasant farming as part of the struggle against unemployment, they support farmers in order to increase the number of citizens performing sensible work. In the place of those who apply the support system in Hungary the number of persons engaged in agricultural work is a multiple of those in West European countries. Organic production could provide secure incomes to as many as 100,000 families and peasants in areas where the middle classes have lost the tradition of work.

Lehel Racz is surprised about Hungarians' ranking as poor and incurious. He says that an excellent family-oriented entrepreneurial activity among Hungarians placed in Hungary is the sale of things that they support him and nevertheless he continues to be a man of action. He established the Association of Organic Farming of Jardan-Hungary in a songful fashion, 100 of these producers have joined the organization and the Kossuth Cooperative of Balatonfured is affiliated. A biological garden can still be built on land, although the practice there will grow chemicals too. All sorts of other plants can also be used in agriculture, but in addition to the high vitamin content of natural biological substances their vegetable also contains much calcium and contains a low-growing poison. Lehel Racz brought back the idea of his ancestors—the Magyars building castles, fortresses and intend to establish organic communities later there. Production will be able to use a market-oriented and will be able to profitably

**organic farming.** Soon a school will be opened where young entrepreneurs can learn the tricks of organic farming.

In Csongrad people are interested in buying the Biogarden Hungary idea. Biogenique has manufactured 100 special garbage bins to be placed at homes in Csongrad. Like separate bins provided elsewhere in America these will collect organic household waste. The bio-bins will be emptied into huge holes dug near the Matolcsy farm, and the waste will turn into valuable compost by spring. If this experiment succeeds people will also manufacture free fertilizer elsewhere replacing chemicals. A laboratory will also be established in Csongrad to test the quality of organic food products pursuant to international standards and to teach farmers about production requirements they must follow when abandoning chemicals.

### Telecommunication Enterprise President Interviewed

9200 700734 Budapest, 1101/0700 Meixner  
28 Nov 91 p1

**Interview with Pál Horváth, Hungarian Telecommunications Enterprise president (Mr. János Meixner, place and date not given. Hungarian Telecommunications Enterprise New Law - 1989 (Hungary), 1990 EEC introduction)**

[Text] Not too long ago if someone person to use the telephone suffice to demonstrate the Hungarian economic crisis. That person was able draw some important conclusions while waiting for a line. Many things have changed since at least [similar] of telecommunications concerned. We inquired from Hungarian Telecommunications Enterprise (MATAVI) President Pál Horváth in this regard.

[Meixner] Last August MATAVI's entire upper management had been dismissed. Why justified this drastic change?

[Horváth] Certain tasks training & trained outlook had to be performed and the required new outlook could be expected more from younger persons who also had an appropriate training and education than from the previous staff. A unified management representing an entirely new line of thought had to be established in order to make changes as great as the ones that were needed in Hungarian telecommunications. I mean united team capable having no goal and we can be united only if we trust each other. This often means that we rank professional considerations lower than issues of confidence.

[Meixner] Forgive me, but the problem lies in the past system in which leaders were not interested in the basis of professional capabilities but in grounds of trustworthiness.

[Horváth] I did not say a single word about the new leaders not knowing what they were doing. Instead I said

that special abilities were needed for team work and further the leadership is not at all closed. fitness is determined in the course of practical work and that's where some people prove their fitness for leadership while others do not. And then some new tasks surface from time to time and the team must be supplemented. But most certainly no one has been retained in management just because he had good personal qualities.

[Meixner] Regardless of what you say, I feel that you are trying to make the important decisions at the top level.

[Horváth] This is true [insofar as strategic decisions are concerned]. Just think about the fact that in most large enterprises and thus also at MATAVI the good or bad fortunes of the firm are determined by 10 percent of the employees at most. We must realize that 10 percent far more than the remaining 90 percent. Their tasks, authority and responsibilities must be clearly defined. Operations will be more efficient immediately when the organizational and operating units (S/MS) take effect in a few weeks. Even so strategic decisions remain concentrated at the top level. This is at present the 2,000 employees of the enterprise will be aware of their functions, their responsibilities and authorities. Managers play key roles independently of this, of course. Consequently we have introduced the concept of key persons, these among others influence the performance of the enterprise.

[Meixner] Would you then say that developing an enterprise culture is an indispensable condition for MATAVI's operations?

[Horváth] The term "culture" has a bad taste. Let's stick with the definition I gave before. We are talking about persons. You are correct, of course, when you say that we will distinguish these from the rest. For example we will provide a high enough pay sufficient therefrom being easily turned away for financial advantage. Then people will be able to join this circle. Later on, as they may be dropped out of this circle. But it would be regrettable if the competition could hire such well-educated professionals.

[Meixner] A moment ago you said that roughly 20-30% the upper 10 percent more than for the rest. Who exactly did you mean by that?

[Horváth] We established a feedback system in which it is checked that a reader agrees with the evaluations regarding tasks, their content, the key performance of those tasks. This thing is primarily of a democratic character of course rather than isolating people and making them either stand performing the task (less) related to income. Premiums may be paid even after leadership tasks have been performed. Of course income depends on the results of responsibility.

[Meixner] Should I understand this to mean that you earn the highest salary because you have the greatest responsibility?

[Horvath] I am not employed by MATAV. But I would be placed way down on the list even if I were on MATAV's payroll.

[Meixner] You sidetracked of course. What interests me more are the things you will do after defining responsibilities, authorities and tasks after introducing the new SZMSZ, and when you find in the course of checking that some of your professionals had failed to perform the assigned tasks?

[Horvath] Our most difficult task is to change the outlook of our 22,000 people. This is the greatest challenge faced by managers. Probably those unable to change their outlook will have the greatest difficulty in performing the tasks. As a last resort, we will, of course, find new people to fill their positions, but other means are also available before doing so. Allow me not to enumerate these possibilities. Nevertheless, it is certain that the one who does not work, or performs his work badly will receive big slaps in the face.

[Meixner] Could you give an example for that?

[Horvath] Perhaps I need not go into details about the difficulties we had in talking from public telephones a while ago. The unit involved had been admonished and believe it or not, our revenues had increased by several million forints last year because these sets worked and because people were able to make calls.

[Meixner] When you mentioned a new outlook it has occurred to me that in developed market economies they do not concentrate primarily on whether something works but on whether something works well. In simple terms, the cornerstone of new enterprise management is quality and this changes the life of an enterprise in its foundations. Do I understand correctly that MATAV is endeavoring to develop an organizational system like this?

[Horvath] We are service providers; consequently quality is not a goal, it is only a means at our place. Eventually, the "total quality management" concept used at many Western industrial enterprises may also be introduced at MATAV, but this is only a part of further developing the organization. To be more exact, organizational development is not at issue, functional development is, because that's what we are dealing with. Accordingly, the centerpiece of the enterprise's philosophy is not quality but the client. We develop the national client service system for our clients. We already have offices in every large city. This alone however would be too little. In order to operate appropriately we will have to find the appropriate organization and this is likely to be a holding corporation. This holding corporation will direct the functional and regional directorates and offices. This, too, should indicate to you that in the final analysis MATAV will be more decentralized than centralized.

[Meixner] Do you believe that this divided organization will be able to fulfill Hungarian telephone requirements by the end of 1996, the way you stated this in your program?

[Horvath] I very much hope so. It would be necessary to privatize the state enterprises and to transform them into stock corporations solely owned by the state in order to accomplish this. In other words, we should be able to continue the relentless work we have begun last August once the formal framework exists.

[Meixner] It seems to me that for some reason you are not certain about accomplishing your goal.

[Horvath] Chances of destroying our work still exist. Many believe that they could prevail if MATAV performed badly. Fortunately, our firm is increasingly becoming a stabilizing factor in the telecommunication market despite the increasingly strong competition. We succeeded in reaching cooperative agreements with most of our large competitors and the small ones found out that it was better to work with us than without us. But I will once again stress: This market is unfathomable even by a giant like MATAV.

**Olszewski on Government Role, Decommunization**  
*92EP0106d Warsaw TYGODNIK SOLIDARNOŚCI Polish No 46, 15 Nov 91 p 5*

[Interview with Jan Olszewski, deputy, Center Accord prime minister candidate by Jerzy Kłosinski, place and date not given, "Government for Difficult Months Ahead"]

[Text] [Kłosinski] It will be very difficult to form a coalition in the Sejm capable of creating a stable government. Therefore, are there opinions to be heard that after the new elections law is passed, e.g., by a proportional majority bordering on 5 percent, this Sejm should be dissolved?

[Olszewski] If the elections were to be held several months from now they would probably be even worse than today. Unfortunately, the postcommunist forces together with the Democratic Union have, besides a disastrous elections law, also imposed an unfortunate time for elections on us. The time period was chosen with the full awareness that it will be precisely during the autumn months of this year that on the one hand, the negative effects of the reform will begin to appear and the effects of a lack of reform in many areas, on the other hand. In rural areas, after harvests were collected, it turned out that agricultural production is, to a large degree, unprofitable, thus, giving rise to great frustration among farmers. In industry, we are approaching a time of mass bankruptcies. And it is the various Solidarity groups that have borne formal responsibility for this situation. In a few months, the situation may be even worse. Thus, the new elections would bring even greater success for the postcommunists.

[Kłosinski] Therefore, there is no way out. This Sejm must then assume the burden of solving the problems facing Poland!

[Olszewski] We truly have a dramatic situation in the economy and it seems to me that a significant part of society is not aware of this. The provisional Sejm has left us with a budget in a catastrophic state. The matter of pensions and annuities has not been settled. The new Sejm is faced with the problem of preparing a budget for next year and if it is to act pragmatically, it must limit expenditures by approximately one-third. Getting this dramatic situation under control constitutes the first task for the president, the Sejm and the newly formed government.

[Kłosinski] In that case, is there a chance for the government formed from the coalition grouping to get this dangerous situation under control?

[Olszewski] I believe that no coalition group can create a cabinet that could solve these problems. In the Sejm, it will not be possible to create a broad enough coalition that would be cohesive and that would constitute a solid support for the government forced to make unpopular decisions. I feel that the most realistic solution would be

to form a nonparliamentary cabinet with a professional economic bias that would be equipped by the Sejm with the power to decree on economic matters. This would be a government of professionals-experts—I am not saying that it would be totally nonpolitical—capable of making very difficult decisions which would see the country through several of the most trying months. Most likely, it would leave without praise but it would serve Poland well.

[Kłosinski] In the case of a government of experts professional, political groupings would have to give up various conditions which they present when speaking of a coalition. What would the PC [Center Accord] give up?

[Olszewski] Such a government would have to execute the most pressing, specific tasks, thus saving the economy and state finances. For several or a dozen or so months, it would implement a plan of bailing out the economy whereas problems of a different nature would have to be set aside during this period.

[Kłosinski] For the time being, it does not look like the president is leaning toward such a concept of government as you propose. He is only constantly conducting talks and consulting party leaders.

[Olszewski] It is the constitutional responsibility of the president to listen to all sides concerned before appointing a prime minister. The situation is difficult in that we do not know to what extent party leaders will be able to prevail over their electorate with the regrouping of forces in the Sejm—something which must occur.

[Kłosinski] What kinds of coalitions may form in the Sejm?

[Olszewski] In the most general terms, I see two directions. A rightist-centrist cabinet whose political foundation would be the PK [Polish People's Party] and the ZChN [Christian-National Union] with some sort of participation by the KPN [Confederation for an Independent Poland] and support from "Solidarity" and the PL [Peasant Accord]. The second arrangement would be a government trying to continue Bieleciewicz's policy, thus, the UD [Democratic Union] and the KLD [Liberal-Democratic Congress] supported by the left and the entire group of "small-timers" including the PPPP [Polish Party of Bee Lovers]. Both coalitions have the same shortcoming—they are based on a 50 percent mandate and are therefore extremely unstable.

[Kłosinski] President Wałęsa has, to a certain extent, already expressed his preferred coalition, stating at a meeting with Bieleciewicz that he has decided to support the current trend of transitions in our economy.

[Olszewski] I would like to express my opinion. Bieleciewicz's plan has reached its term, although for various reasons we can say that we are still continuing it. After all, this plan has brought about the collapse of the

nation's entire financial system. That is why we must change the method of action to the kind that will stimulate the economy.

[Kłosiński] But does this not threaten with a departure from the western program of stabilization and the lack of credit?

[Olszewski] We must renegotiate new terms with the IMF. After all, that which we had managed to negotiate earlier is no longer being carried out whereas the IMF is I would think, not interested in Poland's economic crisis.

[Kłosiński] Two years have passed since the creation of noncommunist rule. Why have we found ourselves in such a difficult situation?

[Olszewski] Because we have neglected many matters. We have not carried out effective decommunization which must be conducted now if we want to build a normal state.

[Kłosiński] But is decommunization at all possible today nearly two years after the dissolution of the PZPR [Polish United Workers Party] and the authentication of postcommunists by the most recent elections?

[Olszewski] We must do this regardless of the force of resistance which, of course, is stronger today than two years ago. Decommunization depends to the smallest extent on personal matters and searching out those responsible for the past period. It is based primarily on reorganization of the government which must rebuild all of its structures. In a communist state they were geared toward taking care of the governing élite which constrained society. At present, this apparatus of a totalitarian state has been changed at the very top, to a small degree at the intermediate level and is still not adapted to fulfilling an ancillary role in a democratic state. Decommunization is, above all, organizational changes and a broad-range institutional replacement of cadres.

[Kłosiński] The elected Sejm must be cognizant of all of these problems which today are urgently in need of being solved. What should the present, disorganized Sejm guard against?

[Olszewski] The greatest danger would be for the Sejm to concentrate on the game of politics without reacting to the economy's dramatic situation. Such a scenario is possible in that already during the election campaign it was possible to observe many purely manipulative slogans not confronted with the actual state of the economy. This occurred particularly in the campaigns of the SLD and the PSL [Polish Peasant Party] and also to a certain extent in the UD and the KLD which used the slogan "Don't be afraid of tomorrow," thereby ignoring a more current problem of how to make it until tomorrow. If the economic situation will not determine our actions then it may turn out that all political games will quickly disintegrate since human patience ends irrevocably the moment it becomes cold and there is nothing to eat.

#### Inconsistencies in Decommunization Drafts Noted

2EPD/354 Warsaw WPROST in Polish  
No. 47, 24 Nov 91 pp. 15-16

[Article by Witold Pasek: "Hunting Without Flushing the Game"]

[Text] We can still "decommunize" Fiszbach and Miller if we have to, with the help of the decommunization draft law prepared by the PC [Center Accord], but it is too late for us to do it with Gierek.

Representatives of the Council of Europe, the very group that Poland has joined, may object to the Polish version of decommunization.

Jarosław A. Szczepański, head of the state decommunization commission of the Center Accord's supreme political council pleads: "When you write about our decommunization draft, please do not use the term 'witch hunt.' Out of respect for the memories of those unfortunate women who were victims of darkness and backwardness, you must not do this! The witches were naïve. You can't say that of the communists."

For the time being we do not know exactly what the Polish version of debolshevism will look like because activists of the Center Accord are keeping the "decommunization package" secret, at least, insofar as three laws in it are concerned. The draft will not be announced until it has been approved by the Center Accord's political council and sent to the appropriate Sejm commission.

The general decommunization assumptions are no secret, however. The draft of the Law on Responsibilities of Officials of the PPR [Polish Worker's Party] and PZPR [Polish United Worker's Party] specifies that people who held the position of department head of a voivodship committee or higher in these organizations will not be allowed to hold any sort of position of leadership in the state administration for ten years. In another version, decommunization is also to include secretaries of gminy [parish] party organizations and department heads in powiat organizations too.

From the beginning of their existence up until the time of their dissolution, the PPR and PZPR were organizations that operated to the detriment of the Polish state and carried out a foreign power's reasons of state," the draft law declares.

Marcin Przybylowicz, deputy chairman of the PC's main board, states: "The goal [of the law] is to preclude any influence on the state by people who determined everything in the past and led Poland to ruin."

Theoretically, if the version of "responsibility beginning at the Voivodship Committee level" is adopted, the decommunization will apply to about 3,000 former members of the PZPR. Actually the number will be far smaller because many of the old party officials have

already died or retired, and there are others with no aspirations to hold any government position.

The number of "decommunized" members will also be greatly reduced by a regulation providing that the law is to apply only to those PZPR members who still belonged to the party after 13 December 1981. According to Jaroslaw Szczepanski, the inclusion of this restriction was intended to protect those who had previously become part of the opposition and "decommunized themselves." This point creates a great deal of confusion in the decommunization law, because this provision would mean for example, that decommunization would not apply to Edward Gierk, who ceased to be a member of the PZPR having been expelled from it even prior to martial law.

There is nothing, therefore, to keep the former first secretary from assuming any sort of position in the state administration. On the other hand, the "most pro-Walesa former voivodship secretary," Tadeusz Fiszbach, would be mercilessly decommunized.

People formally outside the party would also be exempt from decommunization—no limits on Jerzy Urban's participation—along with former members of "the allied parties" (SD and ZSL) [Democratic Party and the United Peasant Party] and youth organizations (ZSMP /MP and the like) [Union of Socialist Polish Youth and Polish Youth Union]. If the parliament ratifies the decommunization laws, they will include only "appointed" positions. Regional self-government bodies and the parliament will therefore be exempt from decommunization.

The second of the "deboishevizing" draft laws—the one on decommunization of the internal affairs ministry forbids former officers of the security service (SB) to be employed in the police or the Office of State Protection regardless of the outcome of previous checks. It also precludes their employment "in any sort of institution related to the development and formation of children and young people."

On the other hand, in its present form, the Law on Decommunization of Top Bodies of State Administration and Prosecution permits the arbitrary firing of any state official taken on before Solidarnosc came to power from any position for which a PZPR recommendation was required.

Nor is it precluded that draft laws will soon be prepared "On Decommunization of the Army"—all former political officers could be subject to the decommunization process—and "On Compensation for Injustices Suffered by Victims of the Communist Regime," although in this instance not even the future title for the law has been established. One of the decommunization laws already prepared includes language concerning the obligation of confirming the property status of all people to whom the law applies. There would therefore be the possibility of confiscating property created at a cost to society.

When we compare the content of the "decommunization packet" prepared by the PC to the Czechoslovak law which defines further requirements for the execution of certain functions in other bodies and organizations dated 4 October 1991, we come away with the impression that our decommunization will be really "mellow." It is true that the penalty period for former communists is somewhat longer—10 years compared to five years for our southern neighbors, but then in our country, in contrast to Czechoslovakia, there are no plans at least for the present, to decommunize former members of the ORMO [Citizens Militia] agents and informants of the militia or the SB, activists of the National Unity Front, members of monitoring commissions from the time of martial law, or finally graduates of Soviet military academies. (It is estimated that in Czechoslovakia about a million persons could be "decommunized," compared to a top figure of from 10,000 to 15,000 in our country, including the internal affairs ministry.) Our list of positions to be "protected" from the communist system is also far shorter. The Czech and Slovak decommunization program will keep any "red" from being employed in the army (from the grade of colonel up), in the Office of the Parliament, in the Constitutional Tribunal, in radio or television, banks, foundations, foreign trade firms, the academies of sciences, certain social organizations and even cooperatives in which the state is a shareholder.

The Polish version of decommunization may therefore be somewhat more "civilized" than that adopted on the Veltava river but even so, if it is implemented we can expect serious protests not only from voices from the "left side of the hall" but also, as with Czechoslovakia, from representatives of the Council of Europe which Poland has joined.

For example, it is still not entirely clear whether the ratification of the package of decommunization laws will violate the provisions of the Civil and Human Rights Charter on collective responsibility or whether it may be just one more ordinary "internal regulation" similar to the FRG law closing the state administration to any sort of radical groups, chiefly members of radical leftist groups.

#### **Consulting Firm Proposes Defense Industry Complex**

ZEPHIR/Warsaw GAZETTA WYSOKOZIEMIAŁOWA  
14 Dec 91

[Article by Roman 'Detending the Defense Industry]

[Text] The Krakow consulting firm Proxy is proposing the formation of an ammunition-rocket and aircraft consortium. For the moment banks have ceased enforcing the debts of many factories in those industries.

"Four firms should receive the status of State Defense Plants," said Roman Kula of the Proxy firm at a press conference in Warsaw on Thursday. In other words, it's those specially protected (the government will not allow

their collapse). Mesko in Skarzysko-Kamienna (metals), Pronit in Pionki (artificial materials), and two Warsaw firms Radwar (electronics) and the Industrial Center of Professional Optics. Kula's firm is preparing a program commissioned by the Ministry of Industry, of rescuing the defense and aircraft industries.

Let us recall that several weeks ago it was said that more factories would receive special status.

The four selected factories would be transformed into stock corporations with 100-percent state participation. Mesko and Pronit should become the framework of an ammunition-rocket consortium with which several other (maybe ten) factories would cooperate. These latter would also be involved with nonmilitary production as well.

Proxy believes that the production potential of the defense industry in Poland should be decreased by at least 30 percent. Proxy representatives were unable to say how many workers of the defense industry would lose their jobs.

Asked about Bumar-Lubedy (a producer of tanks), Marek Dochnal, the president of Proxy, said that that factory should switch to civilian production, and that the government's job is to find partners and markets for it.

In Proxy's opinion five aircraft factories (Mielec, Okęcie, Świdnik, Rzeszów, and Hydral in Wrocław) should form a holding consortium; in other words a corporation of corporations. Acting under one name they would have a greater chance at survival and development. The remaining factories in this industry should switch to other production.

If the government accepts Proxy's concept, the Krakow firm will prepare a program for the rescue of individual factories within a few months.

As we have already reported the Ministry of Industry has been able to persuade banks to cease enforcing their debts until the end of the year. Minister of Industry Henryk Bochniarz, present at the conference, said that banks rather willingly agree to delay of debt repayment if the debtors have reasonable rescue programs. The minister hopes that it will be possible to induce banks to undertake bridging financing, or the crediting of current operations of both industries until such time as the rescue programs begin to show results (mid-1992). In Proxy's opinion several hundred billion zlotys will be needed for this.

### Defense Industry Problems, Army Needs Discussed

*Z Przedstawicielami RZECZPODLEGŁEJĄCYMI  
Działalnością wojskową*

Article by Zbigniew Lentończ. Defense Outside the Game

Text] Moods in the army are the same as the state's situation: far from stable. The army is aware of the

catastrophic state of the budget and the serious consequences for the armed forces. "We cannot, however, leave this institution—which continues to enjoy exceptionally high social prestige according to studies—without a chance of survival and, as a result of fulfilling its assigned role," said Deputy Maciej Zalewski, one of the leaders of the Center Accord, moments after being chosen chairman of the Sejm Commission on National Defense. Both the Ministry of National Defense (MON) and that of Foreign Affairs—ministries which are concerned with areas of particular importance for the state—should, in Zalewski's opinion, be removed from the party game.

The deputy stated that though he has not been in the army, he has sufficiently familiarized himself with that institution while fulfilling the role of Secretary of the National Security Council (RBN) over the last year. The RBN replaced the National Defense Committee and in the most recent period served the President of the Republic of Poland in executing his constitutional prerogatives in the area of defense and the formation of national security strategy. It is the chairman's belief that the members of the commission on national defense will undoubtedly do their best to become familiar with the achievements of their predecessors (for example, starting from zero) all the conditions of the armed forces' operation and the entire defense system so that prospective decisions made by the Sejm will be the most rational in the present situation.

The smooth election of the commission leadership augurs well for our difficult work in the future. Maciej Zalewski (vice-chairmen are Mariusz Marasik, Christian-National Union, Wojciech Pegiel, Confederation of an Independent Poland, and Roman Wierzbicki, Peasant Party). Deputy Zalewski's experience and knowledge indicate that

- A new defense doctrine that takes into account present international threats, today's different European system, the capabilities of the budget and an evaluation of what armed forces will be adequate for the requirements must be developed quickly. We must answer the question of what kind of army we want and what we can afford unequivocally.
- Not only in parliament but in Poland in general there is a need for a lobby which, evoking historical traditions, would be able to explain to majority public opinion that defense expenditures and the protection of such fundamental state interests (rights and the feeling of security) of the people of each citizen and are thus necessary. We in the commission will try to focus political power.
- Not all necessary changes in the army can be made and the pace of some is unsatisfactory. These cannot however be made easily and hurriedly. Reform of this institution requires consistency, consistency and calm. The robbing of authority, representation and the particularity of its profession, or the

essence, simply irreplaceable ("I can become a volvode at any moment, but I cannot become a competent brigadier general from one day to the next").

- The most important matter in the near future will be the efficient creation of a civilian ministry ("My candidate for minister is Lech Kaczynski, who this year is supervising defense matters in the President's staff I know, however, that there can be found several other serious aspirants in the commission itself") A great deal depends on the speed with which a new ministry can be built, for example the success of any "rescue" efforts. For it would be necessary to develop and implement programs which—given MON's present budget, which has been described as a budget of agony—would give at least some branches of the defense industry, like the aircraft or tank industries, a chance of survival.

#### **Alternative to Danger of Shock Therapy Proposed**

92EP0143A Warsaw GAZETA BANKOWA in Polish  
No. 51, 22-28 Dec 91 p 28

[Article by Valery Amiel, secretary general of the Entrepreneur Guild in Poland: "An Alternative to Shock Therapy"]

[Text] Despite the mixed results of the adaptation program in Poland, "shock therapy" remains the preferred road for the transition of the postcommunist countries to the market economy. But the nature of the "shock" is problematic. The Polish experience clearly points to the danger of disregarding the factors conditioning an autonomous functioning of the economy in free-market conditions.

In such a situation, while the need to prepare an alternative economic plan should not be ignored, a practical system of mass privatization based on a simple and clear mechanism should be immediately prepared in order to make possible the transfer of state property to private hands while at the same time winning social acceptance

#### **The Missing Links**

The following are factors that have reduced the potential of the stabilization program for initiating the structural changes that could have made possible reviving the economy in the new conditions

- Absence of functional banks (financial middlemen)
- The inclusion of the hyperinflation, relating to price adaptations, in the stabilization program (instability and risk)
- The protracted period of a dangerously high interest rate ("hot" money, which discourages production distribution, and investments)
- Disregard of overemployment (wages and salaries that are both irrational and inadequate to the price level)

These four factors should—and could—be resolved in the program preceding nationwide liberalization. Since each of these factors is capable of effectively complicating economic activity anywhere in the world, not to mention East Europe, everything should be done to eliminate them, regardless of any other obstacles or reservations. Such a program would shift the economy onto a new track and thus revive it in a benign climate. Without that climate both the enterprises and the banks and individuals may prove incapable of effective economic initiative.

Providing such favorable conditions is easier than might seem at first glance. It is needed as well, since its alternative, the so-called one-time "shock" not only is not resulting in structural changes but also has proved unacceptable owing to its destabilizing effects, both economic and political ones. Moreover, unless these four factors are eliminated, privatization—that is, the most important aspect of the "shock"—is doomed to failure.

A two-stage approach to the problem serves to eliminate most of the obstacles. The first stage would be a controlled program (for 6 to twelve months) under which—once the monetary base and rate of exchange [of the zloty] are established—prices would be determined at the world level (on the basis of the stock-exchange prices of basic commodities), minimum wages would be fixed at an arbitrary level (coherent with the new price level) and the attendant employment could be calculated (with "safety nets" for the jobless to be based largely on unemployment benefits paid in kind rather than in cash). Determining from the outset the price and wage vectors at a targeted level (instead of groping for them while implementing the program) would make it possible to reate inflation-free conditions ensuing from macroeconomic indicators that would be consonant with the world economy. This would facilitate the process of educating the enterprises, banks, and individuals [about the laws of the marketplace], needed to assure desirable changes in the economy inclusive of privatization. A program of this kind should be reinforced with a stabilization fund oriented more toward promoting public welfare than the balance of payments.

Only afterward, during the second stage, the Balcerowicz or Sachs program would follow. By operating in a more benign climate, in the presence of effective price, wage, and currency-rate-of-exchange "anchors," the liberalization of the economy, including nationwide privatization, would gain an impetus which is missing at present.

#### **The Banks: The Concept of the "Shadow Team"**

The banks proved to be—and this was no surprise—the Achilles's heel of the restructuring processes in Poland. As state—and therefore dependent and guided from the top—institutions, they were unprepared and unequipped to exercise their new functions (especially in the presence of the inflation), and thus they failed to reate a self-sufficient monetary circulatory system for the young free-market organism. To some extent the

reason was also because in commencing to operate on the free market they would have of a certainty encountered problems even in the presence of stable conditions but the soaring inflation compounded these problems greatly.

It did not have to be so. It could have been fairly easy to force the banks relatively earlier to become autonomous by cutting them off from the central bank, incorporating them into companies of the joint-stock type, and providing them with independent boards of directors. This was not done in Poland at the outset, because at that time the principle adopted had been that the banks are a domain of the nomenklatura with which Solidarity was not to interfere. A similar situation exists at present in other countries of East Europe though not necessarily for the same political reasons.

Streamlining the efficiency of the banks in Poland from the functional point of view could have started earlier. The (audable though belated) initiative of the World Bank for loosely linking a western bank with a partner bank in East Europe in a "twin relationship" fashion is a step in the right direction but an insufficiently far-reaching one. The idea of the "shadow team" put forward already two years ago, would have been a much more effective instrument. Under this idea, a western bank financed with multilateral or bilateral funds would dispatch [to its East European counterpart] a team of managers from all management levels who would monitor for six to twelve months the handling of everyday banking operations by indigenous bank officials with the aid of brought-in western computer hardware and software and even their own (translated) documents and prints. This would produce immediate functional advantages to the "recipient" bank, without involving any risks. More even, this would enable the participating western bank to reap considerable advantages. Better late than never. This idea, which represents a simple practical and immediate way of streamlining the performance of the banks, is still waiting to be translated into reality irrespective of all other plans or macroeconomic programs (including the one presented here).

#### An Inflation-Free Environment

The "original sin" was treating prices as a mere deviation from the norm and the interest rates as solely a monetary problem. As a result, the prescriptions followed were the same as those used in Latin America. But the reality was different: the huge extent of deviation of prices (which had previously played an exclusively distributive role) links liberalization to a rampant inflationary destabilization, and the lack of skill at engaging in economic activity in the presence of high interest rates compounds still further the losses and risks. This entails the following negative scenario:

—Price liberalization, viewed as necessary, triggers hyperinflation

—Interest rates—maintained at positive real levels in accordance with the classical monetarist theories—reach nominally a level at which economic activity is halted.

—Wages, by falling victim to a misconceived budgetary discipline, plummet dramatically in real terms (from their already low starting level) below the possibility of their sociopolitical acceptance.

—A balanced budget—even when spending is kept reined in—suffers an unexpected (?) blow owing to the shrinking tax revenues, which undermines the entire construct and nullifies the efforts invested in implementing that program so far.

There is a better way. We are dealing here not with some deviation from a norm but with transition to "another planet." Nevertheless, a majority of the prices on that "planet" is known because they are world prices (except the price of labor, i.e., the minimum wage which can be fixed arbitrarily). There is no reason why prices should all at once be set at the proper level and "frozen" by administrative fiat during the first stage. Such a "short-cut" saves time and is basically less dangerous. This creates more favorable conditions for structural adaptations and changes.

Such an approach is based on three rational principles. World prices are based on the prices of commodities (crude petroleum, coal, grain, sugar, fertilizers, cement, minerals, etc.). They can be determined immediately and will, in their turn, determine the prices of most other goods. The minimum wage can be fixed at some arbitrary level—let us say at one-half the level of Greece or Portugal and will thus determine the general level of wages. According to a given base of money and currency rate of exchange, the tenable employment level can be calculated.

#### The Pool of the Jobless

The unjustified preservation of overemployment in this country is impeding the streamlining of economic processes and attainment of rational wages. It also is becoming a politically destructive factor as the restructuring program continues because then the success of that program is linked to the inevitable growth of unemployment, thus endangering both the program and the political careers of its "programmers." From this viewpoint alone it is wiser to begin with the inevitable unemployment—on providing in-kind unemployment benefits—and to gradually eliminate it in measure with the implementation of the restructuring program instead of the other way around.

In Poland this idea may be too late by now since the opportunity for implementing it was forfeited two years ago. Since then output and incomes have declined so sharply that nowadays this idea has little chance of gaining political acceptance, even though it continues to be probably the most rational choice. That also is why

such countries as Bulgaria, Romania, or the republics of the Soviet Union should view this idea as a practical alternative.

At such an approach the labor force would initially consist of two separate groups markedly differing in their income levels. The employed would benefit from wages consonant with productivity and the price level, while the unemployed would be receiving benefits that would be largely in kind (meals, vouchers for merchandise and services, etc.). Only then wages would be a genuine incentive for work and productivity which is not so obvious when the minimum wage remains lower than the cost of living, even when it still greatly exceeds the level of unemployment benefits. In their turn, the unemployed would thus be given a potent incentive for establishing their own businesses which would now be much easier in an inflation-free environment. A program of this kind would require mobilizing extensive but non-financial aid from the west for providing social welfare which would not be difficult to obtain given such clearly defined goals.

The Balcerekowicz or Sachs (shock therapy) program would be introduced only during the second stage, in more favorable conditions that would ensure its success.

It may be that an initial decline in output is an inevitable aspect of the transition to a market economy. It should be however confined to eliminating the production of so-called junk (shoddy goods) rather than stem from competition in imports owing to an excessively low currency rate of exchange or an unjustified decline in consumer demand due to a mistaken wage policy. The Balcerekowicz or Sachs program makes sense but was introduced premature.

[Box, p 28]

#### *Concerning the Shadows*

The merit of Valery Annen's article is that, instead of confining itself to stating general propositions, it presents rather original proposals for measures which should in his opinion precede the Balcerekowicz Program. As the author notes himself, his recommendations by now apply more to those countries which are still about to prepare themselves for the shock therapy—but some of them can also benefit us. It is hard however to resist the impression that these proposals are to some extent too naive or too simple to be effective. In this sense one could ask many questions, such as who and according to what criteria could isolate by fiat all at once a large army of the unemployed to be supported by benefits received in kind?

The proposals concerning the banks merit more attention. The idea that the banks are the weakest, if not a defective link in the reforms is being increasingly often mentioned. Of course the huge difference in performance between Polish and foreign banks is readily

perceived, but the same gulf also separates Polish enterprises from their foreign competitors, as well as a definite majority of our institutions—and not just the economic ones—from their foreign counterparts.

What is more, it is precisely in the banking sector that measures preceding the stabilization program had been taken, and it appears that changes to the better are taking place more rapidly in that sector than in others. It is precisely the idea of the "shadow teams" that seems to exemplify best a rather naive thinking. The belief that it is at all possible to rapidly gain such a massed support of western banks seems unjustified. And should it even happen that western "managerial teams" at every management level would monitor for six to 12 months the conduct of everyday banking operations by local bank officials with the aid of brought-in hardware, software and even their own documents and prints, that would in itself hardly rescue the economy and, on the contrary, would presumably cause considerable confusion.

Western experts are present in Polish banks and they themselves admit that before they can provide any good advice they must devote a great deal of time to learning about our specific conditions. The proposed variant is feasible in eastern Germany where it involves outlays by big West German banks on a scale unimaginable today. But that did not protect the East German economy against the recession nor the banking system against scams (for example, the granting of loans to insiders on extremely favorable terms in Halle).

#### *Changing German Perception of Poles Discussed*

JPP/PS/4 Warsaw PR (Wojciech Zyzak)  
November 27, 1991

[Article by Juergen Wahl: "Disappointment: A Few Bitter Remarks on How Germans See Poles"]

[Text] Bonn, Dec.—In the summer of 1958, in the Vienna train station, I was an accidental witness of an uncommon occurrence. An Austrian customs official heard a soft knocking coming from within one of the freight cars of a train that had just arrived from Romania. He ordered the seal to be broken and the doors opened. An emaciated man appeared before the eyes of the onlookers. He blinked his eyes in the bright sun. After a moment he took a card from his pocket and spelled out, seemingly without any meaning, "I'm not Adenauer." He was an escapee. The joy on his face, each gesture with which he greeted freedom showed that everything that his communist government condemned was golden for him, including Adenauer.

Observing him, I understood that in politics, reality is equally important as that which people subconsciously perceive to be reality. The mass media have an enormous influence on the formation of that subjective image. This is true also for the image of Poland in Germans.

In my country just as in most of the rich countries of the west an ironclad rule has held for over a decade what they don't show on television really doesn't exist. Despite the enormous newspaper market in Germany or Canada all pictures shown on television which affect citizens' consciousness and imagination Daily television news shows have attained the highest credibility ratings in decades (over 80 percent of viewers give them their implicit trust). No newspaper or weekly could even dream of such results.

Now, what the weeklies like DIE ZEIT or SPIEGEL write about Poland, what the German Evangelical bishops say about reconciliation with Poland, or what the upper Counter Church has to say on that topic have been kept without importance. Nevertheless we should not be deceived. Those statements never reached the great majority of Germans in the FRG who had no reason to call themselves intellectuals.

For the West, Poland was for them a very distant country which despite certain signs of resistance bore a clear anti-Soviet stamp up until 1981. Poland was mentioned in the first page of German newspapers for a single time beyond only twice in 1981-86 during the exchange of letters between Polish and German bishops ("We forgive you and we ask for forgiveness") and on the occasion of the signing in December 1981 of the joint normalization of relations between the Polish People's Republic (PR) and the FRG and the treaty of mutual assistance ratification. But those matters were secondary from the German point of view. From the beginning of 1987 effect in West German journals, political, literary, and personality who more or less remained in the consciousness of some part of society in the West before 1989 was Stefan Cardinal Wyszyński.

The end of the summer of 1989 resulted in an almost complete revolution in German perception of Poland.

The socialist censorship which had hitherto paralyzed the work of western journalists at the "Solidarność" press and the first name on German television screens those peacock dynamic images from Poland—people of color and about

in 1989 can at only speak of a more or less coherent self-painted picture of contemporary Poland in West Germany. It is after that memorable August. Before that it was perceived here almost exclusively as one of many component parts of the Eastern bloc. It appeared, as far as German as an element of a strengthened entity deprived of any specific features poor gray and in monochrome as Romania, Bulgaria, or Albania.

It was that specialists in East Europe arrived and and the works of Leszek Kołakowski but they did not receive him as a provider of interesting ideas or how to dismantle Russian Communism. Any reflections on the liberation of Poland from that domination interested

no one and the German laymen also left simply disregarding them as a symptom of pathological anticommunism. The works of Leopold Mrożek which were translated into German found on a small circle of captivated readers.

In the days early after the fall the conviction that the division of Poland is a temporary phenomenon was universally dominant. All the political parties demanded the unification of Germany in the '93 borders. In practice Polish-German relations in this period did not raise those spiritual and material homeland they left in the last of the 1970s and 1980s. Widely-distributed tales of how uncompromising the Poles were managing in the former German lands remained only a boom.

After the establishment of direct contacts in the second half of the 1980s the trend in public opinion studies began relatively slowly. Also that for an ever growing number of Germans in the FRG the unification of Germany means the victory of the FRG and the GDR. Power and fewer Germans believed in the recovery of the lost eastern lands. The Germans linked their loss to a feeling of guilt.

Most—and this is almost unanimous in the population that the winning country is a fact which is the result of war has. This assumed long ago just as the overwhelming majority of Poles have accepted of course the uniting with former and former. Nonetheless Poland with its pragmatism and rightness—when they deal with their eastern neighbors. But Vienna has been Lithuanian and Polish known from one commemoration. For this it is often falsehood.

Thus, big lies should truly understand as well as negotiate after the disappearance that Warsaw agrees to a Wallachen from France. From one commemoration.

There is no common opinion here about whether the Germans will which would now regard a change in the existing German-Polish border. Acceptance of this does not mean surely the several hundred years of the previous German civilization and culture of these lands and a common past, history, and tradition. They are different nationalities.

Much more has changed since normalization to the fact that dominant Polish propaganda concentrated on searching for confirming images of the aggressors over a West German. In 1989 the German political elite and a considerable number of citizens despite of transnational sympathies has systematically denied. Meanwhile, they have been possible to get the impression of many ordinary people that the only citizens of the FRG would be qualified. The Polish press were Herbert Apel and Jürgen Paul and that the anti-press had to be hidden behind the PR and the FRG. The socialist and socialists participated in the compatriot country. And the others not. (BUND/ZEPPELIN)

As a result of this way of depicting us, people who desired accord and cooperation with Poland at some point simply threw up their hands. Meanwhile, the fact that foreigners from the west had little chance to acquaint themselves with reality in the PRL—freely, and uninhibited by the Security Service—frightened many Germans from the FRG from visiting Poland. Most of West German society, however, simply did not notice Poland. It almost did not exist in the collective consciousness.

Only with the Solidarity revolution were the foundations laid for millions of average Germans to begin to have some sort of idea about Poland. From the summer of 1980 to more or less April 1982, the flood of information eclipsed everything which had previously been written or said about Poland. West German society, particularly its younger part, at that time actively developed an opinion on the issue of Poland. The campaign to give assistance to shortage-suffering Poland, conducted with unheard-of vigor, led to the formation of thousands of friendships and partner relationships between parishes, schools, choirs, and sports clubs. They have lasted to this day, helping to weaken prejudices.

But at the same time, during the years that Solidarity became rather a synonym for Poland worldwide, new "television-made" stereotypes became fixed in Germans' heads. Lech Walesa, towering over everything and everyone, as a blind executor of the instructions of the church and the Pope. Lech Walesa (after his interview for the Dutch newspaper ELSEVIER) as a resolute enemy of the Germans. The conclusion that the whole Polish opposition could be counted in the democratic left, as personified by Adam Michnik, Jacek Kuron and Bronislaw Geremek. The conviction that Solidarity is a trade union. Only after 1988 did West German television viewers begin to learn that it is a pluralist social movement.

The concentration of almost all the attention and goodwill of German newspapers, radio, and television on the person of Prime Minister Tadeusz Mazowiecki resulted, before the November 1990 presidential election, in violent attacks on Lech Walesa. Now, in turn, it is in fashion to describe and portray Poland as a country undergoing unconditional clericalization.

After 1980, under the influence mostly of the mass media, there took place a significant change for the better in the perception of Poland. We were impressed, in 1980-81, by the fact that Poles are united, that they do not use force, and are achieving great successes right under the noses of the Russian giant. After the imposition of martial law, genuine sympathy, and indignation at its authors, was mixed with wonder at Poles' prudence, as they fought intelligence and did not allow themselves to be drawn into a civil war. Solidarity was at that time our hope as well, because we longed for the Polish germs of freedom to infect the GDR as well.

It even came to the point where second- and third-rate illustrated weeklies, which never before had sullied themselves with even the slightest mention of Poland, now paid attention. In Germany, Lech Walesa instantaneously jumped into the list of the ten best known and most liked politicians.

The formation of Tadeusz Mazowiecki's government began a tragic collapse of the positive image of Poland. Tragic, since this was the result of a chance set of coincidences, mounting misunderstandings, and also disappointment.

Suddenly it turned out that the Lech Walesa whom we admired says, in the Dutch newspaper already mentioned, that the Germans could be wiped from the map of Europe. Suddenly it turned out that Tadeusz Mazowiecki, universally respected in Germany, tries behind our backs to build a Polish-French coalition with the goal of protecting the border on the Odra and Nysa—and thus a matter which almost all Germans, including politicians, had long regarded as taken care of. Suddenly it turned out that the Polish Catholic Church, generally respected in Germany for its resistance in the struggle with communism, regards, in the person of Primate Glemp, Germany and the German minority in Silesia extremely coolly.

The fact that, right after liberation from dictatorship, just about every living soul in Polish politics set about warming up the old prejudices against Germans, was unpleasantly jarring to our ears.

All the worst things were imputed to us, and are still being so, just as if today's Germany was run by Hitler, or at least Bismarck. As a German, I can only say that I regard the unceasing Polish laments, and the hue and cry about selling the country to the Germans as something, in these times, completely absurd. Nonetheless, no one wants to be an uninvited guest. Judging by the reluctance with which large German companies enter the Polish market, they share this view to a great degree.

In a situation in which Germany is, among all the Western countries, the state which has given Poland the greatest financial assistance, and continues to do so, the categorical Polish demand that Polish war victims be paid restitution was jarring to the ears of many German taxpayers who are terrified by the gigantic costs of putting the former GDR on its feet.

Hundreds of millions of marks are paid out from the budget of the state, which gave guarantee to repay to banks debts unsettled by Poland. We give Poland new credits, without assurance that we will ever retrieve our money, and they stretch out their hands for more. This, unfortunately, is how the average German taxpayer thinks. He is in this regard in his heart completely convinced that all Polish misfortunes are simply due to the fact that Poles just do not want to work. The countless swarms of Polish traders in Berlin who were shown on television strengthened him in this conviction for a long time. Not knowing Polish realities, the

German taxpayer is concerned by one question: when will they finally get down to honest work?

One cannot hide that, after a period of ascent, the image of Poland in Germany is bad, and constantly getting worse.

For the Germans still know very little about today's Poland, and even less about Poland in past times. Two-thirds of German voters are people too young to remember the Third Reich. Moreover, they are, in the overwhelming majority, oriented completely toward the West.

They frequently do not understand that democratic Poland will not be a normal country, in the West European sense of that word, for a long time yet. They expect that since Poland is already democratic, its residents will behave like Frenchmen without prejudices. Meanwhile, the formation of such attitudes on the Polish side will require a lot of time. As Germans, we must show understanding and patience in this matter.

Unfortunately, the confusion which presently reigns in Polish domestic politics is, for many of my countrymen, a confirmation of the prejudice that "Poles cannot govern themselves," a prejudice that is tempting in Germany.

The hysteria which was unleashed in Poland about two years ago because of the German minority brought out a great deal of irritation in Germany. People wondered aloud what was really going on. The residents of the western part of today's Germany have become accustomed to addressing such problems completely without conflicts. The harmonious cohabitation of Germans with the Danish minority in Schleswig-Holstein, or of Belgians with the Germans living in their country, can be examples of this. Therefore the Polish fears are seen, particularly in the western part of Germany, as something strange, something which comes from a completely remote period.

I think that Polish foreign politics and the Polish mentality should generally adapt themselves more quickly to the conditions dominant in the uniting Western Europe.

and reduce to a minimum the old thinking, which refers mostly to two-sided relations between individual states.

In Germany, at any rate, few perceive Poland as a country genuinely attached to the idea of European integration.

From the German perspective, it is still a country paying homage mostly to narrow nationalist thinking, a country psychically unprepared to give up more and more of its sovereignty to the institutions of an integrating Europe.

Generally, though, Poland once again is immersed in obscurity in Germany; it is ceasing to be a topic of discussion and of press reports. The border has been recognized, a treaty of neighborly relations signed. Poland has ceased to be an exotic and marveled-at communist state, in which the church frequently had more to say than did the apparatchiks. Simply, a country which has been replaced on its feet is no longer so remarkable.

[Box, p. 17]

Juergen Wahl was born in 1929 in Krefeld, RhineLand. He is an engineer by training, but is by preference a politician and journalist. In 1968, he began work in the leading conservative West German daily DIE WELT, of the Springer concern. In 1980-82, he was the spokesman for the Christian Democratic fraction in the European Parliament in Strassburg. Since 1970, he has chaired the Eastern Commission of the Central Committee of German Catholics. Since 1982, he is a member of the top leadership of the editorial board of RHEINISCHER MERKUR, a Christian weekly close to the CDU [Christian Democratic Union], and one of the largest and most influential nonillustrated periodicals in the FRG.

Wahl has been intensively interested in Polish affairs since the late 1950's, and is, in that area, in the forefront of German journalism. The opinions on the topic of Poland and the Poles which he expresses in this article written specially for PRAWO I ZYCIE, will certainly arouse many reservations in many a Polish reader. Familiarity with those opinions is essential to the extent that they reveal the so contradictory attitudes toward us of the great part of the population of the western lands of unified Germany.

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